

[Submitting Counsel on Signature Page]

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

IN RE: JUUL LABS, INC. MARKETING,
SALES PRACTICES, AND PRODUCTS
LIABILITY LITIGATION

No. 19-md-2913-WHO

THIS DOCUMENT RELATES TO:
*Tucson Unified School District v. JUUL Labs, Inc.,
et al.*

PLAINTIFF'S AMENDED COMPLAINT

JURY TRIAL DEMANDED

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I. INTRODUCTION

1. The battle to end nicotine addiction and its associated diseases and death has consumed our nation's public health resources for more than half a century. After five decades of tireless efforts by public health advocates, litigators, and regulators, the war on tobacco was on the path to victory. By 2014, rates of smoking and nicotine addiction in this country were finally at an all-time low, particularly among teenagers. Until now. The United States, closer than ever to consigning the nicotine industry to the dustbin of history, now faces a youth nicotine epidemic of historic proportions.

2. JUUL products are rampant in the nation's schools, with the percentage of 12th graders who reported consuming nicotine almost doubling between 2017 and 2018. In 2019, more than five million middle and high school students reported current use of e-cigarettes, including more than one in every four high schoolers. Consistent with this national trend, youth e-cigarette consumption rates in Tucson Unified School District ("Tucson Unified" or "Plaintiff") continue to climb. According to the 2018 Arizona Youth Survey, nearly 48% of teens in Pima County, Arizona, have used a vape or e-cigarette device. The Surgeon General has warned that this new "epidemic of youth e-cigarette use" could condemn a generation to "a lifetime of nicotine addiction and associated health risks." The swift rise in a new generation of nicotine addicts has overwhelmed parents, schools, and the medical community (including county public health departments) on the front lines dealing with this crisis, drawing governmental intervention at nearly every level—but it's too little, too late.

3. This public health crisis is no accident. What had been lauded as progress in curbing cigarette use, JUUL Labs Inc.'s (JLI) co-founders Adam Bowen and James Monsees viewed as opportunity. Seizing on the decline in cigarette consumption and the lax regulatory environment for e-cigarettes, Bowen, Monsees, and investors in their company sought to introduce nicotine to a whole new generation, with JLI as the dominant supplier. To achieve that common purpose, they knew they would need to create and market a product that would make nicotine cool again, without any of the stigma associated with cigarettes. With help from their early investors and board members, who

1 include Nicolas Pritzker, Huyoung Huh, and Riaz Valani (together, the “Management Defendants”),
2 they succeeded in hooking millions of youth, and, of course, earning billions of dollars in profits.

3 4. Every step of the way, JLI, by calculated intention, adopted the cigarette industry’s
4 playbook, in coordination with one of that industry’s innovators, cigarette giant Altria. JLI was created
5 in the image of the iconic American cigarette companies, which JLI founders praised for creating “the
6 most successful consumer product of all time. . . . an amazing product.” The secret to that “amazing
7 product”? Nicotine, a chemical that has deleterious effects on developing young brains, is the
8 fundamental reason that people persist in using tobacco products even though they can cause
9 pulmonary injuries, cardiovascular disease and other serious, often fatal, conditions. Through careful
10 study of decades of cigarette industry documents, JLI knew that the key to developing and sustaining
11 addiction was the amount and the efficiency of the nicotine delivery.
12

13
14 5. Three tactics were central to decades of cigarette industry market dominance: product
15 design to maximize addiction; mass deception; and targeting of youth. JLI and its co-conspirators
16 adopted and mastered them all. *First*, JLI and Bowen designed JUUL products to create and sustain
17 addiction, not break it. JLI and Bowen were the first to design an e-cigarette that could compete with
18 combustible cigarettes on the speed and strength of nicotine delivery. Indeed, JUUL products use
19 nicotine formulas and delivery methods much stronger than combustible cigarettes, confirming that
20 what JLI and Bowen designed was a starter product designed for youth, not a cessation or cigarette
21 replacement product. JLI and Bowen also innovated by making an e-cigarette that was smooth and
22 easy to inhale, practically eliminating the harsh “throat hit,” which otherwise deters nicotine
23 consumption, especially among nicotine “learners,” as R.J. Reynolds’ chemist Claude Teague called
24 new addicts, primarily young people.
25

26 6. *Second*, JLI and the Management Defendants, just like cigarette companies before them,
27 targeted kids as their customer base. One of JLI’s [REDACTED] was the need to [REDACTED]
28

[REDACTED] JUUL products were designed to appear slick and high-tech like a cool gadget, including

1 video-game-like features like “party mode.” JLI offered kid-friendly flavors like mango and cool mint
2 and partnered with Altria to create and preserve the market for mint-flavored products—all because
3 Defendants knew that flavors get young people hooked. Under the guise of youth smoking prevention,
4 JLI sent representatives directly to schools to study teenager e-cigarette preferences.

5
6 7. *Third*, JLI, the Management Defendants and Altria engaged in a campaign of deceit,
7 through sophisticated mass media and social media communications, advertisements and otherwise,
8 about the purpose and dangers of JUUL products. JUUL products’ packaging and advertising grossly
9 understates the nicotine content in its products. Advertising campaigns featured JUUL paired with food
10 and coffee, positioning JUUL as part of a healthy meal, a normal part of a daily routine, and as safe as
11 caffeine. In partnership with Altria, JLI adopted a “Make the Switch” campaign to mislead the public
12 into thinking that JLI products were benign smoking cessation devices, even though JUUL was never
13 designed to break addictions. JLI, the Management Defendants, and Altria also concealed the results of
14 studies that revealed that JUUL products were far more powerfully addictive than was disclosed. JLI’s
15 deceptive marketing scheme was carried out across the country through broad distribution channels:
16 veteran cigarette industry wholesalers, distributors and retailers ensured that JUUL products would
17 become widely available to a new market of nicotine-newcomers, especially youth. JLI and the
18 Management Defendants joined with these veteran cigarette industry marketers to secure premium
19 shelf space for vivid displays at convenience stores, like 7-11, and gas stations, including Chevron, that
20 would lure e-cigarette users, particularly young people, who would become long-term customers.
21 These marketing efforts have been resounding successes—when JUUL products were climbing in
22 sales, most youth—and their parents—believed that e-cigarettes did not contain nicotine at all.

23
24 8. JLI and the Management Defendants reached their intended demographic through a
25 diabolical pairing of notorious cigarette company advertising techniques (long banned for cigarettes
26 because they cause young people to start smoking) with cutting-edge viral marketing campaigns and
27 social media. They hired young models and advertised using bright, “fun” themes, including on media
28

1 long barred to the cigarette industry, such as billboards, on children’s websites such as “Nick Junior”
2 and Cartoon Network, and on websites providing games and educational tools to students in middle
3 school and high school. JLI and the Management Defendants also employed young social media
4 “influencers” and celebrities popular with teenagers. When the public, regulators, and Congress caught
5 onto JLI’s relentless focus on children, JLI and the Management Defendants simply lied, even though
6 they knew well that they had purposefully targeted youth in their marketing and those efforts had been
7 breathtakingly successful.

9 9. It should come as little surprise that JLI and the Management Defendants’ misconduct,
10 expressly patterned after decades of cigarette company practices, could not have been carried out
11 without the involvement and expertise of an actual cigarette company. In December 2018, Altria paid
12 \$12.8 billion to acquire a 35% stake in JLI. But even well before Altria announced its investment in
13 JLI, the connections between the two companies ran deep. JLI and Altria collaborated to grow the
14 e-cigarette market and the number of users addicted to nicotine, including by sharing data and
15 information and coordinating marketing activities, including acquisition of key shelf space next to
16 top-selling Marlboro cigarettes. Altria’s investment in JLI is not merely a financial proposition, but a
17 key element of Defendants’ plan to stave off regulation and public outcry and keep their most potent
18 and popular products on the market. JLI has benefitted from Altria’s expertise in designing and
19 marketing addictive products, and in thwarting regulation.

22 10. There is no doubt about it—JLI, the Management Defendants, Altria, and their co-
23 Defendants have created this youth public health crisis. At the heart of this disastrous epidemic are the
24 concerted efforts of JLI, its co-conspirators, and all those in JUUL’s supply and distribution chain to
25 continuously expand their market share and profits by preying upon a vulnerable young population and
26 deceiving the public about the true nature of the products they were selling. Nicotine is not benign like
27 coffee, contrary to what many JUUL users believe. Nor is the aerosol as harmless as puffing room air.

28 Worse, the flavors in JUUL products are themselves toxic and dangerous, and have never been

1 adequately tested to ensure they are safe for inhalation. According to the most recent scientific
2 literature, JUUL products cause acute and chronic pulmonary injuries, cardiovascular conditions, and
3 seizures. Yet JUUL products and advertising contain no health risk warnings at all. And a generation
4 of kids is now hooked, ensuring long-term survival of the nicotine industry because, today just as in
5 the 1950s, 90% of smokers start as children.
6

7 **II. JURISDICTION AND VENUE**

8 11. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331
9 because Plaintiff's racketeering claim arises under the laws of the United States, 18 U.S.C. § 1961 *et*
10 *seq.*, and pursuant to 28 U.S.C. § 1332(a) because: (i) the amount in controversy exceeds \$75,000,
11 exclusive of interests and costs, and (ii) the plaintiff and defendants are citizens of different states. This
12 Court has supplemental jurisdiction over the state law claims pursuant to 28 U.S.C. § 1367.
13

14 12. The Court has personal jurisdiction over Defendants because they do business in the
15 District of Arizona and have sufficient minimum contacts with the District. Defendants intentionally
16 avail themselves of the markets in this State through the promotion, marketing, and sale of the products
17 at issue in this lawsuit in Arizona, and by retaining the profits and proceeds from these activities, to
18 render the exercise of jurisdiction by this Court permissible under Arizona law and the U.S.
19 Constitution. The Court also has personal jurisdiction over JLI, the Management Defendants, and
20 Altria under 18 U.S.C. § 1965, because at least one of these Defendants has sufficient minimum
21 contacts with the District.
22

23 13. Venue is proper in the District of Arizona pursuant to 28 U.S.C. § 1391 (b)(2) and (3)
24 because a substantial part of the events or omissions giving rise to the claims at issue in this Complaint
25 arose in this District and Defendants are subject to the Court's personal jurisdiction with respect to this
26 action.
27
28

III. PARTIES

Plaintiff

14. Plaintiff Tucson Unified has been serving the Tucson community since 1867. Tucson Unified includes 89 schools serving over 44,000 students. Tucson Unified's mission includes ensuring its students receive an engaging, rigorous and comprehensive education. Plaintiff's administrative offices are located on East Tenth Street in Tucson, Pima County, Arizona.

JUUL Labs, Inc.

15. Defendant JUUL Labs, Inc. ("JLI") is a Delaware corporation, having its principal place of business in San Francisco, California. Ploom, Inc., a predecessor company to JLI, was incorporated in Delaware on March 12, 2007. In 2015, Ploom, Inc. changed its name to PAX Labs, Inc. In April 2017, PAX Labs, Inc. changed its name to JUUL Labs, Inc., and formed a new subsidiary corporation with its old name, PAX Labs, Inc. That new subsidiary, PAX Labs, Inc. ("PAX"), was incorporated in Delaware on April 21, 2017 and has its principal place of business in San Francisco, California.

16. JUUL, designs, manufactures, sells, markets, advertises, promotes and distributes JUUL e-cigarette devices, JUUL pods and accessories (collectively "JUUL" or "JUUL products"). Prior to the formation of separate entities PAX Labs, Inc. and JLI in or around April 2017, JUUL designed, manufactured, sold, marketed, advertised, promoted, and distributed JUUL under the name PAX Labs, Inc.

17. Together with its predecessors, JUUL Labs, Inc is referred to herein as "JLI."

Altria Defendants

18. Defendant Altria Group Inc, (together with its wholly owned subsidiaries and their predecessors, "Altria" or the "Altria Defendants") is a Virginia corporation, having its principal place of business in Richmond, Virginia. Altria is one of the world's largest producers and marketers of tobacco products, manufacturing and selling combustible cigarettes for more than a century.

1 19. On December 20, 2018, Altria purchased a 35% stake in JLI. Altria and JLI executed a
 2 Services Agreement that provides that Altria, through its subsidiaries, Philip Morris, Altria Client
 3 Services LLC, and Altria Group Distribution Company, would assist JLI in the selling, marketing,
 4 promoting, and distributing of JUUL, among other things.

5 20. Defendant Altria Client Services LLC (“Altria Client Services” or “ACS”) is a Virginia
 6 limited liability company with its principal place of business in Richmond, Virginia. Altria Client
 7 Services provides Altria Group, Inc. and its companies with services in many areas including digital
 8 marketing, packaging design & innovation, product development, and safety, health, and
 9 environmental affairs. Pursuant to Altria’s Relationship Agreement with JLI, Altria Client Services
 10 assists JLI in the sale, marketing, promotion and distribution of JUUL products.¹ Such services include
 11 database support, direct marketing support, and premarket product application support.² On September
 12 25, 2019, the former senior vice president and chief growth officer of Altria Client Services, K.C.
 13 Crosthwaite, became the new chief executive officer of JLI.
 14
 15

16 21. Defendant Altria Group Distribution Company (“AGDC”) is a Virginia corporation and
 17 wholly owned subsidiary of Altria Group, Inc. with its principal place of business in Richmond,
 18 Virginia. Altria Group Distribution Company provides sales, distribution and consumer engagement
 19 services to Altria’s tobacco companies. Altria Group Distribution Company [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED] Altria Group Distribution Company
 23 [REDACTED]
 24 [REDACTED]
 25
 26

27 ¹ Altria Group, Inc., *Relationship Agreement by and among JUUL Labs, Inc., Altria Group, Inc., and*
 28 *Altria Enterprises LLC* (“Relationship Agreement”) (Form 8-K), Ex. 2.2 (Dec. 20, 2018),
<https://www.sec.gov/Archives/edgar/data/764180/000119312518353970/d660871dex22.htm>.

² *Id.*

22. Defendant Altria Enterprises LLC (“Altria Enterprises”) is a wholly owned subsidiary of Altria Group, Inc. Altria Enterprises is a Virginia limited liability company with its principal place of business in Richmond, Virginia. Altria Enterprises is a party to the purchase agreement between Altria Group, Inc. and JLI. Altria Enterprises purchased Altria’s stake in JLI on Altria’s behalf. Collectively, Altria Group, Inc. and its subsidiaries named above will be referred to herein as “Altria.” Upon information and belief, Altria conducted meetings, interviews and inspections at the JLI facilities in San Francisco and engaged in frequent communications regarding JUUL with JLI in California and elsewhere prior to, during, and subsequent to its stock purchase.

Management Defendants

23. Defendant James Monsees is a resident of the San Francisco Bay area, California. In 2007, he co-founded Ploom with Defendant Bowen. He served as Chief Executive Officer of JLI until October 2015. Since October 2015, he has been Chief Product Officer of JLI. At all relevant times, he has been a member of the Board of Directors of JLI until he stepped down in March 2020.

24. Defendant Adam Bowen is a resident of the San Francisco Bay area, California. In 2007, he co-founded Ploom with Defendant Monsees. At all relevant times, he has been Chief Technology Officer and a member of the Board of Directors of JLI.

25. Defendant Nicholas Pritzker is a resident of San Francisco, California, and a member of the Pritzker family, which owned the chewing-tobacco giant Conwood before selling it to Reynolds American, Inc., a subsidiary of British American Tobacco. Pritzker received a J.D. from the University of Chicago. He served as president of the Hyatt Hotels Corporation and was a member of its Board of Directors from 1980 to 2007. More recently, he co-founded Tao Capital, an early investor in, among other companies, Tesla Motors and Uber. In 2007, he invested in JLI.³ [REDACTED]

³ Ainsley Harris, *How JUUL went from a Stanford thesis to \$16 billion startup*, Fast Co. (Mar. 8, 2020), <https://www.fastcompany.com/90263212/how-JUUL-went-from-a-stanford-thesis-to-16-billion-startup>.

1 [REDACTED]
 2 [REDACTED]
 3 [REDACTED]⁵
 4
 5 26. Defendant Hoyoung Huh lives and works in the Silicon Valley area, California. He
 6 holds an M.D. from Cornell and a Ph.D. in Genetics/Cell Biology from Cornell/Sloan-Kettering. He
 7 has been CEO or a Board member of numerous biotechnology businesses, including Geron
 8 Corporation. Huh has been on the Board of Directors of JLI since at least June 2015. [REDACTED]
 9 [REDACTED]
 10 [REDACTED]⁶

11 27. Defendant Riaz Valani lives near San Jose, California and is a general partner at Global
 12 Asset Capital, a San Francisco-based private equity investment firm. He has been on the Board of
 13 Directors of JLI since at least May 2011.⁷ [REDACTED]
 14 [REDACTED]
 15 [REDACTED]
 16 [REDACTED]⁸

17 28. Defendants Monsees, Bowen, Pritzker, Huh, and Valani are referred to collectively as
 18 the “Management Defendants.”

19 29. Defendants JLI, the Altria Defendants, Monsees, Bowen, Pritzker, Huh, and Valani are
 20 referred to collectively as the “RICO Defendants.”
 21
 22
 23
 24

25 ⁴ INREJUUL_00371187.

26 ⁵ INREJUUL_00327603.

27 ⁶ *Id.*

28 ⁷ Ploom, Inc., Notice of Exempt Offering of Securities (Form D) (May 5, 2011),
https://www.sec.gov/Archives/edgar/data/1520049/000152004911000001/xslFormDX01/primary_doc.xml.

⁸ INREJUUL_00327603.

1 **IV. GENERAL FACTUAL ALLEGATIONS**

2 **A. Each Defendant Was Instrumental in Seeking to Develop and Market the Blockbuster**
 3 **Sequel to Combustible Cigarettes, the “Most Successful Consumer Product of All Time.”**

4 30. JLI’s co-founder James Monsees has described the cigarette as “the most successful
 5 consumer product of all time . . . an amazing product.”⁹ This statement, which ignores the fact that
 6 cigarettes have caused more deaths than any other human invention, contained a kernel of truth. When
 7 U.S. smoking rates peaked in the mid-1960s, 42% of adults smoked cigarettes. Cigarettes were
 8 everywhere; people smoked on airplanes, in movie theatres, at the office, and at sports games. Movie
 9 stars and sports heroes smoked. Cigarette advertising wallpapered American life, glamorizing smoking
 10 as sophisticated, cool, and the thing to do.

11
 12 31. But in reality, of course, this “successful” product has long been the world’s leading
 13 cause of preventable death.

14 32. Years of anti-smoking campaigns, including work by local government public health
 15 departments and school-based anti-tobacco programs, have made great strides towards de-normalizing
 16 cigarette smoking. But where public health officials and schools saw progress, others saw an
 17 opportunity.
 18

19 33. Citing “some problems” inherent in the cigarette, Monsees and JLI co-founder Adam
 20 Bowen set out to “deliver[] solutions that refresh the magic and luxury of the tobacco category.”¹⁰
 21 Monsees saw “a huge opportunity for products that speak directly to those consumers who aren’t
 22 perfectly aligned with traditional tobacco products.”¹¹ Successfully capitalizing on this opportunity
 23 would mean not only billions of dollars in short-term revenue but lucrative acquisition by a cigarette
 24 industry power player.
 25

26 ⁹ Kathleen Chaykowski, *Billionaires-to-be: Cigarette Breakers—James Monsees and Adam Bowen*
 27 *Have Cornered the US E-Cigarette Market with Juul. Up Next: The World*, FORBES INDIA (Sept. 27,
 2018), www.forbesindia.com/article/leaderboard/billionairestobe-cigarette-breakers/51425/1.

28 ¹⁰ Josh Mings, *Ploom Model Two Slays Smoking With Slick Design and Heated Tobacco Pods*, SOLID
 SMACK (Apr. 23, 2014), www.solidsmack.com/design/ploom-modeltwo-slick-design-tobacco-pods.

¹¹ *Id.*

1 34. Bowen and Monsees took the first major step toward realizing their vision by
2 deliberately creating an extremely potent nicotine product that looked nothing like a cigarette. But
3 achieving widespread adoption of their highly addictive product required resources and expertise
4 beyond those possessed by Bowen, Monsees or others at JLI.

5 35. When it became clear that Bowen and Monsees could not themselves achieve their
6 vision of growing the number of nicotine-addicted e-cigarette users to ensure a base of customers for
7 life, the Management Defendants planned a fundamental shift in roles to allow Pritzker, Huh, and
8 Valani to direct and take control of JLI and use it to commit the Defendants' unlawful acts.

9 36. Specifically, in October 2015, Monsees stepped down from his role as Chief Executive
10 Officer of JLI (to become Chief Product Officer) and, in his stead, Pritzker, Huh, and Valani formed an
11 Executive Committee of the JLI Board of Directors that would take charge of fraudulently marketing
12 JUUL products, including to youth.

13 37. Prior to the installation of Tyler Goldman as JLI's new CEO in August 2016,
14 Defendants Pritzker, Huh, and Valani used their newly formed Executive Committee to expand the
15 number of addicted e-cigarette users through fraudulent advertising and representations to the public,
16 and specifically to minors. They cleaned house at JLI by "dismiss[ing] other senior leaders and
17 effectively tak[ing] over the company."¹² [REDACTED]

18 [REDACTED] ¹³

19 38. But the Management Defendants knew that their desire to create a massive new market
20 for JUUL on their own would be aided if they could convert Altria, an experienced cigarette company
21 with a history of marketing to youth and covering it up, into an ally. They turned to Altria in the Spring
22 of 2017. While Defendants JLI, Bowen, Monsees, Huh, and Valani are relative newcomers to the
23 tobacco industry, Altria has been manufacturing and selling "combustible" cigarettes for more than a
24

25 ¹² Julie Creswell & Sheila Kaplan, *How Juul Hooked a Generation on Nicotine*, N.Y. TIMES (Nov. 23,
26 2019), <https://www.nytimes.com/2019/11/23/health/juul-vaping-crisis.html>.

27 ¹³ INREJUUL_00278359.

century. And Defendant Pritzker, for his part, has been long familiar with the tobacco industry from his family's ownership of chewing-tobacco giant, Conwood, before selling it to Reynolds American, Inc., a subsidiary of British American Tobacco. Notwithstanding their different histories, JLI and the Management Defendants, for their part, invited Altria into the fold as an ally with ample resources to further expand the market of nicotine-addicted e-cigarette users and to keep litigation and regulation at bay. While JLI, Monsees, and Bowen publicly claimed to be out to "disrupt" the industry, they and the other Management Defendants privately negotiated and ultimately relinquished a 35% ownership stake in the company to a cigarette giant.

39. Cigarette companies have long known that profitable growth requires a pipeline of "replacement" customers. Altria, after decades of tobacco litigation and regulation, had little ability to recruit new smokers in the ways that had driven Philip Morris's success through most of the 1900s. In 2017, Altria's combustible cigarette products were facing increasing regulatory pressures. In late July 2017, Altria's stock value plummeted shortly after the FDA announced that it would reduce the amount of nicotine allowed in cigarettes with an eye toward reaching non-addictive levels.¹⁴ In late 2017, Altria, and other major cigarette companies, also finally complied with a consent decree from the 1990s tobacco litigation that required them to issue corrective advertising statements that highlighted the addictiveness and health impacts of smoking cigarettes.¹⁵

40. Due in large part to this litigation and regulation, cigarette use has been declining in the United States in the last decade, especially among youth.¹⁶ Altria estimates that the cigarette industry

¹⁴ See Dan Caplinger, *Altria Group in 2017: The Year in Review*, THE MOTLEY FOOL (Dec. 18, 2017), <https://www.fool.com/investing/2017/12/18/altria-group-in-2017-the-year-in-review.aspx>.

¹⁵ Chuck Stanley, *Tobacco Cos. Settle Long-Running Health Warning Dispute*, LAW360 (Apr. 25, 2018), <https://www.law360.com/articles/1037281/tobacco-cos-settle-long-running-health-warning-dispute>.

¹⁶ *Current Cigarette Smoking Among Adults In the United States*, CDC, https://www.cdc.gov/tobacco/data_statistics/fact_sheets/adult_data/cig_smoking/index.htm (last visited May 5, 2020); *Youth and Tobacco Use*, CDC, https://www.cdc.gov/tobacco/data_statistics/fact_sheets/youth_data/tobacco_use/index.htm (last visited May 5, 2020).

declined by 4% in 2017 and by 4.5% in 2018, and it predicted a continued 4% to 5% decline in the average annual U.S. cigarette industry volume for 2019 through 2023.¹⁷ Altria later adjusted the estimated rate of decline to 4% to 6%, to reflect efforts to increase the legal age for cigarette smoking to 21.¹⁸

41. Altria had undertaken its own efforts at marketing an e-cigarette product. Altria had launched the MarkTen product nationwide in 2014 with an aggressive marketing campaign, eclipsing the advertising expenditures for the market leader at that time, blu e-cigarettes.¹⁹ Of the \$88.1 million spent on e-cigarette advertising in 2014, nearly 40% of that was Altria's MarkTen campaign, at \$35 million.²⁰

42. Altria was clear in its intent to dominate the e-cigarette market as it has the combustible cigarette market: "We are the market leader today and we will continue to be," then-CEO Marty Barrington told investors at the time of MarkTen's launch.²¹ The original MarkTen was a "cigalike," designed to mimic the look and feel of a combustible cigarette.

43. Altria had also been acquiring small companies in the e-cigarette industry, starting in 2014 with Green Smoke, Inc., whose e-cigarettes were also the "cigalike" style, and were sold in flavors including "Vanilla Dreams" and "Smooth Chocolate."²² In 2016, Altria acquired a product

¹⁷ *Altria's Fourth-Quarter 2018 Earnings Conference Call*, Altria (Jan. 31, 2019), <http://investor.altria.com/Cache/1001247877.PDF?O=PDF&T=&Y=&D=&FID=1001247877&iid=4087349>.

¹⁸ *Altria Shares Slide As Cigarette Sales Continue to Decline*, Tobacco Bus. (July 31, 2019), <https://tobaccobusiness.com/altria-shares-slide-as-cigarette-sales-continue-to-decline/>.

¹⁹ Jennifer Cantrell et al., *Rapid increase in e-cigarette advertising spending as Altria's MarkTen enters the marketplace*, 25 Tobacco Control e125 (10) (2015), <http://dx.doi.org/10.1136/tobaccocontrol-2015-052532>.

²⁰ *Id.*

²¹ Melissa Kress, *MarkTen National Rollout Hits 60,000 Stores*, CONVENIENCE STORE NEWS (July 22, 2014), <https://csnews.com/markten-national-rollout-hits-60000-stores>.

²² Mike Esterl, *Altria To Launch MarkTen E-Cigarette Nationally*, WALL ST. J. (Feb. 19, 2014), <https://www.wsj.com/articles/altria-to-launch-markten-e-cigarette-nationally-1392832378>; Senator Richard J. Durbin et al., *Gateway to Addiction? A Survey of Popular Electronic Cigarette Manufacturers and Targeted Marketing to Youth* at 12 (Apr. 14, 2014), <https://www.durbin.senate.gov/imo/media/doc/Report%20-%20E-Cigarettes%20with%20Cover.pdf>.

1 called Cync, from Vape Forward.²³ Cync is a small e-cigarette device that uses prefilled pods in a
2 variety of flavors, similar to the JUUL.

3 44. In February 2017, Altria told investors at the 2017 Consumer Analyst Group of New
4 York (CAGNY) Conference that over the past year, “Nu Mark LLC (Nu Mark) made excellent
5 progress toward its long-term aspiration of becoming a leader in e-vapor.”²⁴ In his remarks, Altria’s
6 current CEO, Howard A. Willard III, said, “Nu Mark, our e-vapor company, had a very strong year. It
7 made excellent progress toward establishing MarkTen as a leading brand in the category, continued to
8 improve its supply chain, and took the necessary steps to comply with the deeming regulations.” He
9 noted, however, that the estimated “total 2016 e-vapor consumer spending was roughly flat compared
10 to the prior year at approximately \$2.5 billion.”²⁵ In 2017, Altria’s MarkTen e-cigarettes had a market
11 share of only 13.7%, well behind JLI’s growing market share of 40%.²⁶ Thus, despite its public
12 statements to the contrary, Altria knew the popularity of JUUL stood in the way of Altria becoming the
13 dominant force in the e-cigarette market.
14

15 45. With smoking on the decline, litigation and regulatory controls were ramping up and
16 threatening Altria’s ability to attract new smokers, and JUUL outperforming Altria’s products in the
17 market, Altria’s best bet for maintaining its sales by increasing the number of users, and especially
18 minors, addicted to nicotine was to partner with JLI (1) to maintain or increase the number of users,
19 and especially minors, hooked on JUUL; and (2) to delay and prevent regulation that could interfere
20 with this first scheme.
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22

23 ²³ Remarks by Jody Begley, 2017 Altria Investor Day (Nov. 2, 2017), http://media.corporate-ir.net/media_files/IROL/80/80855/2017InvestorDay/Remarks_and_Reconciliations.pdf.

24 ²⁴ Remarks by Marty Barrington, Altria Group, Inc.’s (Altria) Chairman, CEO and President, and other
25 members of Altria’s senior management team 2017 Consumer Analyst Group of New York
26 (CAGNY), (2017), <http://investor.altria.com/Cache/IRCache/1ac8e46a-7eb4-5df2-843d-06673f29b6b0.PDF?O=PDF&T=&Y=&D=&FID=1ac8e46a-7eb4-5df2-843d-06673f29b6b0&iid=4087349>.

27 ²⁵ *Id.*

28 ²⁶ Richard Craver, *Vuse falls further behind Juul on e-cig sales*, WINSTON-SALEM JOURNAL (Dec. 14, 2017), https://www.journalnow.com/business/vuse-falls-further-behind-juul-on-e-cig-sales/article_ed14c6bc-5421-5806-9d32-bba0e8f86571.html.

1 46. For those reasons and others, [REDACTED]

2 [REDACTED]

3 [REDACTED]²⁷

4 and Ploom's advisory committee included Altria's former growth officer. In Altria's words, the

5 company followed "JUUL's journey rather closely" from its early beginnings.²⁸

6

7 47. According to Howard Willard, Altria's CEO, Altria first contacted JLI about a

8 commercial relationship in early 2017, with "confidential discussions" beginning in the Spring of

9 2017.²⁹ [REDACTED]

10 [REDACTED]

11 [REDACTED]³⁰

12 48. [REDACTED]

13 [REDACTED]³¹ Pritzker and Valani, together with Burns, were the lead negotiators on the Altria deal. On

14 July 30, 2018, in advance of a meeting between the lead negotiators from JLI and Altria, Pritzker

15 emailed Howard Willard an opening term sheet for discussions, and made clear that an end to

16 competition from Altria's e-cigarette products was a key term of any deal. On August 1, 2018, the

17 companies' negotiators met at the Park Hyatt Hotel in Washington, D.C., to discuss terms. Pritzker,

18 Valani, and Burns attended for JLI. Willard and Billy Gifford, Altria's CFO, attended for Altria. By

19 the Fall of 2017, JLI, the Management Defendants, and Altria had agreed to and had taken coordinated

20 actions to maintain and expand the number of nicotine-addicted e-cigarette users in order to ensure a

21 steady and growing customer base.

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25 ²⁷ INREJUUL_00278740.

26 ²⁸ Olivia Zaleski & Ellen Huet, *Juul Expects Skyrocketing Sales of \$3.4 Billion, Despite Flavored Vape*

27 *Restrictions*, BLOOMBERG (Feb. 22, 2019), <https://www.bloomberg.com/news/articles/2019-02-22/juul-expects-skyrocketing-sales-of-3-4-billion-despite-flavored-vape-ban>.

28 ²⁹ Altria's October 14, 2019 letter to Senator Durbin, et. al., by Howard Willard III (2019).

³⁰ INREJUUL_00349529.

³¹ *Id.*

49. [REDACTED] it was JLI (through its executives and employees—including Tyler Goldman and his successors) and Altria (through its executives and employees) that primarily directed and conducted fraudulent acts designed to grow the market of youth nicotine-addicted e-cigarette users, although Bowen, Monsees, Pritzker, Huh, and Valani remained critical to the success of these efforts. Without their control of the JLI Board of Directors and prior fraudulent conduct, the close coordination between JLI and Altria, and Altria’s investment in JLI, would not have been possible.

50. In December 2018, Altria decided to take the next step in its coordination with JLI and the Management Defendants by making a \$12.8 billion equity investment in JLI, the largest equity investment in United States history. This arrangement was profitable for both companies, as well as Defendants Monsees, Bowen, Pritzker, Huh, and Valani. JLI employees received \$2 billion in bonuses, which, split among the Company’s 1,500 employees, was approximately \$1.3 million per employee,³² and Altria received millions of loyal teen customers. In deciding to make a huge investment in JUUL, Altria took into account that the e-cigarette industry would see significant year-over-year growth in the near term, and that “JUUL continu[es] to be a growth driver for the e-vapor category.”³³

51. In July 2018, JLI’s valuation was approximately \$15 billion.³⁴ But, in December 2018, Altria’s investment of \$12.8 billion for a 35% stake in the company reflected a valuation of approximately \$38 billion—more than two and a half times the valuation just five months earlier. Defendants Monsees, Bowen, Pritzker, Huh, and Valani thus saw the value of their investments in JLI

³² Olivia Zaleski, *Juul Employees to Get \$2 Billion Bonus in Altria Deal*, BLOOMBERG (Dec. 20, 2018), <https://www.bloomberg.com/news/articles/2018-12-20/juul-employees-said-to-get-2-billion-bonus-in-altria-deal>.

³³ Altria’s October 14, 2019 letter to Senator Durbin, et. al., by Howard Willard III (2019).

³⁴ Rachel Becker, *Why Is Juul Worth \$16 Billion? It’s More Like a Cigarette Than You Think*, THE VERGE (Jul. 3, 2018), <https://www.theverge.com/2018/7/3/17529442/juul-vapes-nicotine-electronic-cigarettes-addiction-funding>.

1 skyrocket as a result of the Altria agreement, allowing them to cash out via a special dividend and
 2 bonus, as well as through stock sales that were not available to other of JLI's minority shareholders.³⁵

3 52. This investment further intertwined JLI and Altria. According to the terms of its
 4 investment, Altria may appoint one third of JLI's board. And in October 2019, JLI's CEO resigned to
 5 be replaced by another career Altria executive, K.C. Crosthwaite. The key JLI negotiators of the Altria
 6 deal (including Pritzker and Valani), and other officers and directors including Bowen, Monsees, and
 7 Huh, would have been instrumental in bringing Crosthwaite on board at JLI. Crosthwaite had most
 8 recently served as the vice president and chief growth officer of Altria Client Services LLC, overseeing
 9 the company's work to assist Altria's companies, including with digital marketing, packaging design &
 10 innovation, product development, and safety, health, and environmental affairs. Crosthwaite knows the
 11 cigarette industry's playbook all too well, having previously served as the president and CEO of Phillip
 12 Morris USA, the vice president and general manager at Marlboro—the leading cigarette brand among
 13 youth—and the vice president of strategy and business development of at Altria Client Services LLC.

14 53. In addition, Joe Murillo, who headed regulatory affairs for Altria, and served as
 15 President and General Manager of Nu Mark, LLC (Altria's e-cigarette business), became JLI's chief
 16 regulatory officer in October 2019.

17 54. Both before and after Altria's investment, JLI, through its employees and officers,
 18 provided Altria with critical information regarding the design and nicotine content of the JUUL
 19 product, the labeling of the JUUL product, and related topics including advertising, retail distribution,
 20 online sales, age verification procedures, information on underage user's flavor preferences, and
 21 regulatory strategies. Altria, for its part, guided JLI and the Management Defendants in these areas and
 22 helped them devise and execute schemes to maintain and expand the e-cigarette market.
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 28 ³⁵ Tiffany Kary, *JUUL Founders Sued for Self-Dealing Over Altria's \$12.8 Billion*, BLOOMBERG (Jan. 13, 2020), <https://www.bloomberg.com/news/articles/2020-01-13/juul-founders-sued-for-self-dealing-over-altria-s-12-8-billion>.

55. JLI, the Management Defendants, and Altria worked together to implement their shared goal of growing a new market in the image of the combustible cigarette market through a multi-pronged strategy to: (1) create a highly addictive product that users would not associate with cigarettes and that would appeal to the lucrative youth market; (2) deceive the public, and especially young people, into thinking the product was a fun and safe alternative to cigarettes that would help smokers quit; (3) actively attract young users through targeted marketing, and (4) use a variety of tools, including false and deceptive statements to the public and regulators, to delay regulation of e-cigarettes. As detailed more fully throughout this Amended Complaint, each of the Defendants played a critical role—at times overlapping and varying over time—in each of these strategies.

B. Defendants’ Strategy Was to Create a Nicotine Product That Would Maximize Profits Through Addiction.

1. Defendants Understood that the “Magic” Behind Cigarettes’ Stratospheric Commercial Success Was Nicotine Addiction.

56. The first step in replicating the success of combustible cigarettes was to create a product that, like combustible cigarettes, was based on getting users addicted to the nicotine in the product. Nicotine is an alkaloid, a class of plant-derived nitrogenous compounds that is highly addictive and the key ingredient that drives addiction to cigarettes. Nicotine’s addictive properties are similar to heroin and cocaine.³⁶

57. Route of administration and speed of delivery are key to understanding nicotine’s addictive potential. Dr. Neal Benowitz, Scientific Editor of the 1988 Surgeon General’s Report on nicotine addiction, wrote: “After a puff, high levels of nicotine reach the brain in 10–20 s[econds], faster than with intravenous administration, producing rapid behavioral reinforcement. The rapidity of rise in nicotine levels permits the smoker to titrate the level of nicotine and related effects during

³⁶ See e.g., U.S. Dep’t of Health and Human Servs., *Nicotine Addiction: A Report of the Surgeon General*, DHHS Publication Number (CDC) 88-8406, (1988).

1 smoking, and makes smoking the most reinforcing and dependence-producing form of nicotine
2 administration.”³⁷

3 58. Again, according to Dr. Benowitz, “The rapid rate of delivery of nicotine by smoking
4 ... results in high levels of nicotine in the central nervous system with little time for development of
5 tolerance. The result is a more intense pharmacologic action. The short time interval between puffing
6 and nicotine entering the brain also allows the smoker to titrate the dose of nicotine to a desired
7 pharmacologic effect [often subconsciously], further reinforcing drug self-administration and
8 facilitating the development of addiction.”³⁸

10 59. Nicotine fosters addiction through the brain’s “reward” pathway. Both a stimulant and a
11 relaxant, nicotine affects the central nervous system; increases blood pressure, pulse, and metabolic
12 rate; constricts blood vessels of the heart and skin; and causes muscle relaxation. Long-term exposure
13 to nicotine causes upregulation—an increase in the number of these high-affinity nicotinic receptors in
14 the brain. When nicotine binds to these receptors it triggers a series of physiological effects in the user
15 that are perceived as a “buzz” that includes pleasure, happiness, arousal, and relaxation of stress and
16 anxiety. With regular nicotine use, however, these feelings diminish, and the user must consume
17 increasing amounts of nicotine to achieve the same effects.

19 60. Kids are particularly vulnerable to nicotine addiction, as Defendants know well. As
20 described by the United States Surgeon General, “Tobacco use is a pediatric epidemic.”³⁹ Nine out of
21 ten smokers begin by age 18 and 80% who begin as teens will smoke into adulthood.⁴⁰

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25 ³⁷ Neal L. Benowitz et al., *Nicotine Chemistry, Metabolism, Kinetics and Biomarkers*, 192 HANDB.
EXP. PHARMACOL. 29 (2010), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC2953858/>.

26 ³⁸ *Id.*

27 ³⁹ *Preventing Tobacco Use Among Youth and Adults, A Report of the Surgeon General* (“2012 Surgeon
General Report”) at 539, U.S. Dep’t Health & Human Servs. (2012),
https://www.ncbi.nlm.nih.gov/books/NBK99237/pdf/Bookshelf_NBK99237.pdf.

28 ⁴⁰ *Preventing Tobacco Use Among Youth and Adults, A Report of the Surgeon General* at 1 (2012),
<https://www.hhs.gov/surgeongeneral/reports-and-publications/tobacco/index.html>.

61. The above statements apply equally, if not more so, to e-cigarettes. Further, the Surgeon General has explained how the nicotine in e-cigarettes affects the developing brain and can addict kids more easily than adults: “Until about age 25, the brain is still growing. Each time a new memory is created, or a new skill is learned, stronger connections—or synapses—are built between brain cells. Young people’s brains build synapses faster than adult brains. Because addiction is a form of learning, adolescents can get addicted more easily than adults.”⁴¹ The effects of nicotine exposure on the brain of youth and young adults include not only addiction, priming for use of other addictive substances, but also reduced impulse control, deficits in attention and cognition, and mood disorders.⁴² A highly addictive, psychoactive substance that targets brain areas involved in emotional and cognitive processing, nicotine poses a particularly potent threat to the adolescent brain, as it can “derange the normal course of brain maturation and have lasting consequences for cognitive ability, mental health, and even personality.”⁴³

62. In 2014, the United States Surgeon General reported that nicotine addiction is the “fundamental reason” that individuals persist in using tobacco products, and this persistent tobacco use contributes to millions of needless deaths and many diseases, including diseases that affect the heart and blood vessels (cardiovascular disease), lung diseases (chronic obstructive pulmonary disease (COPD) and lung cancer), cancer almost anywhere in the body, and birth defects.⁴⁴

⁴¹ *Know The Risks: E-Cigarettes & Young People* (2019), <https://e-cigarettes.surgeongeneral.gov/knowtherisks.html>.

⁴² Menglu Yuan et al., *Nicotine and the Adolescent Brain*, 593 J. OF PHYSIOLOGY 3397 (2015), www.ncbi.nlm.nih.gov/pmc/articles/PMC4560573/; U.S. Surgeon General and U.S. Centers for Disease Control & Prevention, Office on Smoking and Health, *Know the Risks: E-Cigarettes and Young People* (2019), <https://e-cigarettes.surgeongeneral.gov/>.

⁴³ Natalia A. Goriounova & Huibert D. Mansvelder, *Short- and Long-Term Consequences of Nicotine Exposure During Adolescence for Prefrontal Cortex Neuronal Network Function*, 2 COLD SPRING HARBOR PERSP. MED. 12 (2012), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3543069/>.

⁴⁴ U.S. Dep’t of Health and Human Servs. *2014 Surgeon General’s Report: The Health Consequences of Smoking—50 Years of Progress* (2014), https://www.cdc.gov/tobacco/data_statistics/sgr/50th-anniversary/index.htm#report.

63. It took five decades of public health initiatives, government intervention, impact litigation, consumer education, and tobacco regulation to finally see a significant drop in cigarette smoking and nicotine addiction.

64. By 2014, the number of adults that reported using cigarettes had dropped to 18%, and the number of adult smokers who reported quitting smoking increased from 50.8% in 2005 to 59% by 2016.⁴⁵ By 2014, teen smoking also hit a record low.⁴⁶ In June 2014, the Centers for Disease Control and Prevention (“CDC”) reported that “in achieving a teen smoking rate of 15.7 percent, the United States has met its national Healthy People 2020 objective of reducing adolescent cigarette use to 16 percent or less.”

65. The United States Surgeon General reported in 2014 that: “We are at a historic moment in our fight to end the epidemic of tobacco use that continues to kill more of our citizens than any other preventable cause. The good news is that we know which strategies work best. By applying these strategies more fully and more aggressively, we can move closer to our goal of making the next generation tobacco-free.”⁴⁷

66. Where the public health community saw progress in curbing the use of cigarettes and nicotine addiction, Defendants saw an opportunity.

⁴⁵ Centers for Disease Control and Prevention, U.S. Dep’t of Health and Human Services, *Trends in Cigarette Smoking Among High School Students—United States, 1991-2001*, 51 MORBIDITY & MORTALITY WKLY. REP. 409 (May 17, 2002), <https://www.cdc.gov/mmwr/preview/mmwrhtml/mm5119a1.htm>; Teresa W. Wang et al., *Tobacco Product Use Among Adults—United States, 2017*, 67 MORBIDITY & MORTALITY WKLY. REP. 1225 (Nov. 9, 2018), <https://www.cdc.gov/mmwr/volumes/67/wr/pdfs/mm6744a2-H.pdf>; U.S. Dep’t of Health and Human Servs. *2014 Surgeon General’s Report: The Health Consequences of Smoking—50 Years of Progress* (2014), https://www.cdc.gov/tobacco/data_statistics/sgr/50th-anniversary/index.htm#report.

⁴⁶ Press Release, Centers for Disease Control and Prevention, *Cigarette smoking among U.S. high school students at lowest level in 22 years* (June 12, 2014), <https://www.cdc.gov/media/releases/2014/p0612-YRBS.html>.

⁴⁷ U.S. Dep’t of Health and Human Servs. *LET’S MAKE THE NEXT GENERATION TOBACCO-FREE: Your Guide to the 50th Anniversary Surgeon General’s Report on Smoking and Health* (2014), <https://www.hhs.gov/sites/default/files/consequences-smoking-consumer-guide.pdf>.

1 **2. Following the Cigarette Industry Playbook, Defendants Sought to Market a**
 2 **Product that would Create and Sustain Nicotine Addiction, but Without the**
 3 **Stigma Associated with Cigarettes.**

4 67. Seeking to build and dominate a new market for nicotine products without the baggage
 5 of combustible cigarettes (i.e. well-established link to death and disease), JLI engineered a cool-
 6 looking e-cigarette device capable of delivering more nicotine and fueling higher levels of consumer
 7 addiction than ever before. JLI marketed that highly-addictive device as healthy, safe, cool, and
 8 available in kid-friendly flavors.

9 68. In doing so, JLI followed the cigarette industry's playbook. Monsees admitted that
 10 when creating JLI, he and Bowen carefully studied the marketing strategies, advertisements, and
 11 product design revealed in cigarette industry documents that were uncovered through litigation and
 12 made public under the November 1998 Master Settlement Agreement between the state Attorneys
 13 General of forty-six states, five U.S. territories, the District of Columbia and the four largest cigarette
 14 manufacturers in the United States. "[Cigarette industry documents] became a very intriguing space for
 15 us to investigate because we had so much information that you wouldn't normally be able to get in
 16 most industries. And we were able to catch up, right, to a huge, huge industry in no time. And then we
 17 started building prototypes."⁴⁸

18
 19 69. In a thesis presentation Bowen and Monsees gave in 2004, Monsees candidly admitted,
 20 "The cigarette is actually a carefully engineered product for nicotine delivery and addiction."⁴⁹ JLI
 21 researched how cigarette companies engineered their products and chemically manipulated nicotine to
 22 maximize delivery: "We started looking at patent literature. We are pretty fluent in 'Patentese.' And
 23 we were able to deduce what had happened historically in the tobacco industry."⁵⁰ With access to the
 24 trove of documents made public to curb youth smoking and aid research to support tobacco control
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26 ⁴⁸ Gabriel Montoya, *Pax Labs: Origins with James Monsees*, SOCIAL UNDERGROUND,
 27 <https://socialunderground.com/2015/01/pax-ploom-origins-future-james-monsees/>.

28 ⁴⁹ Jordan Crook, *This is the Stanford Thesis Presentation That Launched Juul*, TECH CRUNCH (Feb. 27,
 2019), <https://techcrunch.com/2019/02/27/this-is-the-stanford-thesis-presentation-that-launched-juul/>.

⁵⁰ *Id.*

1 efforts, JLI was able to review literature on manipulating nicotine pH to maximize its delivery in a
2 youth-friendly vapor with minimal “throat hit.”

3 70. Through studying industry documents, JLI learned that the cigarette industry had tried
4 for years to figure out ways to create and sustain addiction by delivering more nicotine in a way that
5 would be easy to ingest—without the nausea, cough, or other aversive side effects that many new
6 smokers experienced. In the 1970s, R.J. Reynolds scientists eventually found a solution: Combine the
7 high-pH nicotine with a low-pH acid. The result was a neutralized compound referred to as nicotine
8 salt. In a 1973 RJR memorandum titled “Cigarette concept to assure RJR a larger segment of the youth
9 market,” RJR highlighted that this chemical manipulation of the nicotine content was expected to give
10 its cigarettes an “additional nicotine ‘kick’” that would be more appealing and addictive. A young RJ
11 Reynolds chemist, Thomas Perfetti, synthesized 30 different nicotine salt combinations, tested the
12 salts’ ability to dissolve into a liquid, and heated them in pursuit of the “maximum release of
13 nicotine.”⁵¹ Perfetti published his results in a 1979 memo stamped “CONFIDENTIAL,” which was
14 found among the documents that the FDA obtained from JLI in 2018. Relying on cigarette industry
15 research like this, and assistance from Perfetti himself, JLI developed a cartridge-based e-cigarette
16 using nicotine salts. As described in herein, JLI’s use of nicotine salts, pioneered by major combustible
17 tobacco companies, was a critical tool for addicting non-smokers, including youth.
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21 71. JLI also engaged former cigarette industry researchers to consult on the design of their
22 product. As Monsees noted in an interview with WIRED magazine: “The people who understood the
23 science and were listed on previous patents from tobacco companies aren’t at those companies
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28 ⁵¹ Thomas A. Perfetti, *Smoking Satisfaction and Tar/Nicotine Control* (Dec. 7, 1978), <https://ca-times.brightspotcdn.com/3a/12/a5ec27874843a56e26b4ecd221/nicotine-salts-investigation.pdf>.

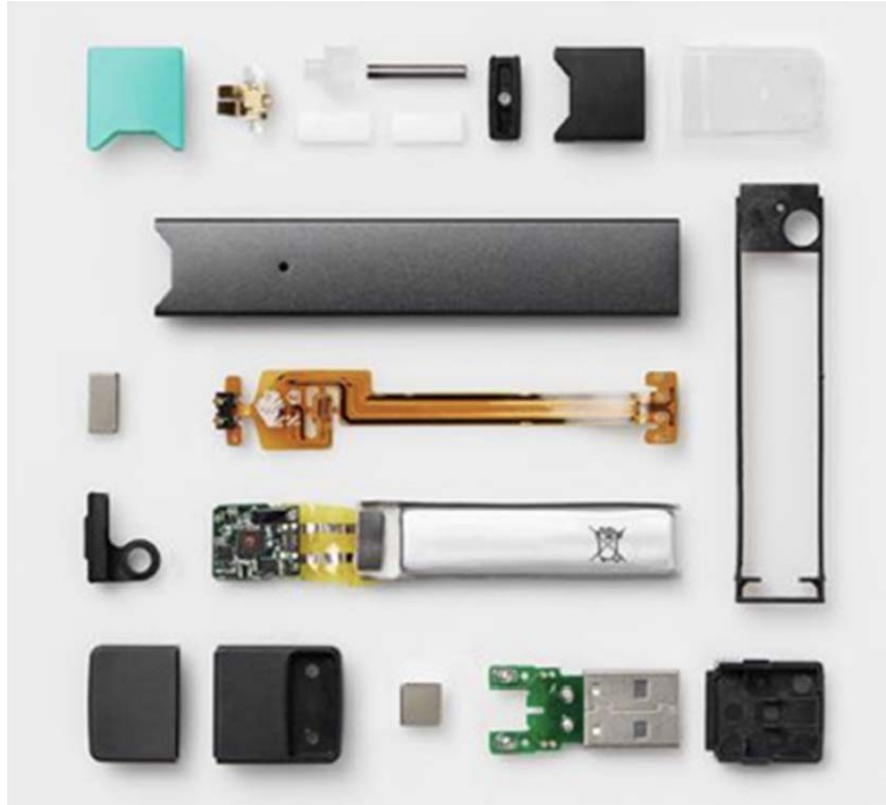
1 anymore. If you go to Altria's R&D facility, it's empty."⁵² The WIRED article stated that "[s]ome of
2 those people are now on [PAX Lab, Inc.'s] team of advisers, helping develop J[UUL]."⁵³

3 72. One of the keys to JLI's success was its ability to fuse addiction and technology. The
4 JUUL e-cigarette system is comprised of three parts: (1) the JUUL e-cigarette device (2) the JUUL pod
5 (with e-liquid), and (3) the Universal Serial Bus [USB] charger (collectively referred to herein as
6 "JUUL"). The JUUL e-cigarette device is a thin, sleek rectangular e-cigarette device consisting of an
7 aluminum shell, a battery, a magnet (for the USB-charger), a circuit board, an LED light, and a
8 pressure sensor. JLI manufactures and distributes JUUL pods that contain liquid that includes nicotine,
9 flavoring and other additives. Each JUUL pod is a plastic enclosure containing 0.7 milliliters of JLI's
10 patented nicotine liquid and a coil heater. When a sensor in the JUUL e-cigarette detects the movement
11 of air caused by suction on the JUUL pod, the battery in the JUUL e-cigarette device activates the
12 heating element, which in turn converts the nicotine solution in the JUUL pod into a vapor consisting
13 of nicotine, benzoic acid, glycerin, and propylene glycol along with myriad chemical flavorings and
14 other chemicals, many of which are recognized as toxic.⁵⁴

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26 ⁵² David Pierce, *This Might Just Be the First Great E-Cig*, WIRED (Apr. 21, 2015),
27 www.wired.com/2015/04/pax-juul-ecig/.

28 ⁵³ *Id.*

⁵⁴ JUUL Labs, Inc., (as of April 8, 2018),
<https://web.archive.org/web/20180408102252/www.juullabs.com/>.



73. JLI sells the JUUL pods in packs of four or two pods, and until recently, in a variety of enticing flavors. Many of the flavors have no combustible cigarette analog, including “cool” cucumber, fruit medley, “cool” mint, and crème brûlée. Figure 1 shows the JLI device and a JLI “Starter Kit” with four flavored JUUL pods:

1 **Figure 1**



14

15 74. JLI attempted to distinguish JUUL products from the death and disease associated with

16 cigarettes by deliberately providing a false assurance of safety. For example, on May 8, 2018, a

17 document titled “Letter from the CEO” appeared on JUUL’s website. The document stated: “[JUUL]’s

18 simple and convenient system incorporates temperature regulation to heat nicotine liquid and deliver

19 smokers the satisfaction that they want without the combustion and the harm associated with it.”⁵⁵

20 75. JLI even took this message to ninth graders: in 2018, a representative from JLI spoke at

21 a high school during a presentation for ninth graders, stating that JUUL “was much safer than

22 cigarettes,” that the JUUL was “totally safe,” that the JUUL was a “safer alternative than smoking

23 cigarettes,” and that the “FDA was about to come out and say it [JUUL] was 99% safer than

24 cigarettes . . . and that. . . would happen very soon.”⁵⁶

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27 ⁵⁵ Letter from U.S. Food & Drug Admin. to Kevin Burns, CEO of JUUL Labs, Inc. (Sept. 9, 2019),

28 <https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019>.

⁵⁶ *Id.*

76. This was not just a rogue employee. Internal messaging around JUUL, crafted by the executives, emphasized that JUUL was safer than smoking. In a [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]⁵⁷ [REDACTED]
[REDACTED]
[REDACTED]⁵⁸ [REDACTED]
[REDACTED]⁵⁹ The consistency of the wording in these presentations more than a year apart shows that this was standard company language.

77. JLI's mission was not to improve public health. Rather, JLI sought to introduce a new generation of consumers, and especially young people, to nicotine. JLI's business model was never about reducing addiction. As one JLI engineer put it: "We don't think a lot about addiction here because we're not trying to design a cessation product at all . . . anything about health is not on our mind."⁶⁰

78. JLI, Bowen, and Monsees achieved their vision. Pioneering a nicotine delivery technology that eliminated the harshness of traditional free-base nicotine, JLI's e-cigarette system provided users with palatable access to high-concentrations of nicotine like never before. Since the JUUL's launch in 2015, JLI has become the dominant e-cigarette manufacturer in the United States. Its revenues grew by 700 percent in 2017 alone. By 2019, JLI owned three-quarters of the e-cigarette market.⁶¹

⁵⁷ INREJUUL_00441986 (emphasis added).

⁵⁸ JLI00373324.

⁵⁹ JLI00373328 (emphasis added).

⁶⁰ Kevin Roose, *Juul's Convenient Smoke Screen*, N.Y. TIMES (Jan. 11, 2019), <https://www.nytimes.com/2019/01/11/technology/juul-cigarettes-marketing.html>.

⁶¹ Dick Durbin et al., *Durbin & Senators to JUUL: You are More Interested in Profits Than Public Health*, Durbin Newsroom (Apr. 8, 2019), <https://www.durbin.senate.gov/newsroom/press-releases/durbin-and-senators-to-juul-you-are-more-interested-in-profits-than-public-health>.

1 **3. Defendants Sought to Position JLI for Acquisition by a Major Cigarette Company.**

2 79. JLI, along with the Management Defendants, worked together to maintain and expand
3 the number of nicotine-addicted e-cigarette users, including young people in particular, in order to
4 ensure a steady and growing customer base.

5 80. That growing customer base was crucial to JLI's and the Management Defendants' long
6 term objective—lucrative acquisition by another company. They recognized that JLI's product, with its
7 potential to dominate the nicotine products market by hooking new users, would appeal to one segment
8 of the economy in particular: the cigarette industry.

9 81. JLI and the Management Defendants also recognized that their business goal—
10 becoming part of the cigarette industry—was unlikely to endear them to the consumers that they
11 needed to purchase their products. Years of anti-smoking campaigns have successfully stigmatized
12 cigarette smoking. When Monsees and Bowen presented their thesis and product design to their
13 classmates, they included a clip from a South Park episode showing the characters assembled at the
14 Museum of Tolerance and shaming a smoker.⁶²

15 82. Monsees and Bowen needed to shape social norms such that the public attitude towards
16 e-cigarettes would allow people to use their product without the stigma and self-consciousness
17 smokers experienced. Monsees and Bowen saw a market opportunity in a generation of non-smoking
18 young people brought up on anti-smoking norms. In Monsees' words, they wanted to redesign the
19 cigarette “to meet the needs of people who want to enjoy tobacco but don't self-identify with—or don't
20 necessarily want to be associated with—cigarettes.”⁶³

21 83. Part of this approach was consistently portraying JUUL as an enemy of the cigarette
22 industry, with a publicly announced goal of eliminating the cigarette. In an interview, Bowen asserted
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26 ⁶² Gabriel Montoya, *Pax Labs: Origins with James Monsees*, SOCIAL UNDERGROUND,
27 <https://socialunderground.com/2015/01/pax-ploom-origins-future-james-monsees/>.

28 ⁶³ *Id.*; see also, INREJUUL 00064696 [REDACTED]

1 that he and Monsees spent a lot of time talking about “the kind of typical thoughts of evil Big Tobacco
 2 companies like coming down and squashing you.”⁶⁴ The “Mission Statement” on JLI’s homepage
 3 proclaims:

4 Our mission is to transition the world’s billion adult smokers away from combustible
 5 cigarettes, eliminate their use, and combat underage usage of our products.

6 We envision a world where fewer adults use cigarettes, and where adults who smoke
 7 cigarettes have the tools to reduce or eliminate their consumption entirely, should they
 8 so desire.⁶⁵

8 84. In fact, JLI’s Chief Administrative Officer has publicly stated that the goal behind JLI is
 9 “eliminating cigarettes.”⁶⁶

10 85. This public message of eliminating cigarettes and challenging tobacco companies stands
 11 in direct contrast with JLI’s actual business and investment strategy, which involved replicating in
 12 JUUL’s new market the tobacco companies’ historical success in the youth market for cigarettes. From
 13 the beginning, Bowen and Monsees actively sought the investment and assistance of major cigarette
 14 companies. Bowen and Monsees’ initial foray into the e-cigarette business, Ploom, launched its e-
 15 cigarette as the ModelOne in 2010, using pods of loose-leaf tobacco heated by butane. It did not catch
 16 on. Ploom only sold a few thousand devices. By then a company with a dozen employees, Ploom was
 17 faltering, in need of money, technological expertise, and marketing savvy.⁶⁷

18 86. Help came from Japan Tobacco International (“Japan Tobacco”), a division of Japan
 19 Tobacco Inc., the fourth-largest tobacco company in the world. In December 2011, Japan Tobacco and
 20 Ploom entered into a strategic agreement, which gave Japan Tobacco a minority stake in Ploom and
 21 made it a strategic partner. In a statement regarding the agreement, Monsees said, “We are very
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25 ⁶⁴ Alison Keeley, *Vice Made Nice? A high-tech alternative to cigarettes*, STANFORD MAGAZINE (2012),
<https://stanfordmag.org/contents/vice-made-nice>.

26 ⁶⁵ JUUL Labs, *Our Mission* (2019), <https://www.juul.com/mission-values>.

27 ⁶⁶ Ashley Gould, *JUUL Labs is committed to eliminating cigarettes*, CAL MATTERS (March 18, 2019),
<https://calmatters.org/commentary/e-cigarette/>.

28 ⁶⁷ David H. Freedman, *How do you Sell a Product When You Really Can’t Say What it Does?*, Inc.,
<https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-ecigarette-company-marketing-dilemma.html>

1 pleased to partner with [Japan Tobacco] as their deep expertise, global distribution networks and
 2 capital resources will enable us to enter our next phase of growth and capitalize on global expansion
 3 opportunities.”⁶⁸ As Bowen explained in an interview, “We were still doing a lot of our own internal
 4 product development, but now we had access to floors of scientists at [Japan Tobacco].”⁶⁹

5 87. According to internal documents, [REDACTED]

6 [REDACTED]⁷⁰ [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]⁷¹ In addition, [REDACTED]
 10 [REDACTED]
 11 [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 [REDACTED]⁷²

15 88. JLI and the Management Defendants [REDACTED]
 16 [REDACTED]
 17 [REDACTED]⁷³ According to [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]⁷⁴ The end result

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 23 ⁶⁸ *Innovative P’ship for Ploom and Japan Tobacco Int’l JTI to Take Minority Share in Ploom*, JAPAN
 24 TOBACCO INT’L (Dec. 8, 2011), [https://www.jti.com/sites/default/files/press-](https://www.jti.com/sites/default/files/press-releases/documents/2011/innovative-partnership-for-ploom-and-japan-tobacco-international.pdf)
 releases/documents/2011/innovative-partnership-for-ploom-and-japan-tobacco-international.pdf.

25 ⁶⁹ David H. Freedman, *How do you Sell a Product When You Really Can’t Say What it Does?*, INC.
 26 MAGAZINE (2014), [https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-](https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-ecigarette-company-marketing-dilemma.html)
 ecigarette-company-marketing-dilemma.html.

27 ⁷⁰ INREJUUL_00371423 [REDACTED]).

⁷¹ INREJUUL_00371447.

⁷² INREJUUL_00371458-INREJUUL_00371459.

28 ⁷³ INREJUUL_00016386 [REDACTED]).

⁷⁴ *Id.*

1 of the process would be [REDACTED]

2 [REDACTED] ⁷⁵

3 89. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED] ⁷⁶

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21 90. According to Stifel, [REDACTED]

22 [REDACTED] ⁷⁷ [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

26 [REDACTED]

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⁷⁵ *Id.*

28 ⁷⁶ INREJUUL_0016399.

⁷⁷ INREJUUL_0016400-INREJUUL_0016401.

[REDACTED]

[REDACTED],⁷⁸

91. Consistent with [REDACTED]

[REDACTED]

[REDACTED].⁷⁹

[REDACTED]

92. The [REDACTED]

[REDACTED].⁸⁰

⁷⁸ INREJUUL_0016404.

⁷⁹ INREJUUL_00061757 [REDACTED]).

⁸⁰ INREJUUL_00061833.

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12
13 93. This goal—acquisition by a major cigarette company—was a motive that the JLI and
14 the Management Defendants would return to in making decisions about the manufacture and marketing
15 of JUUL products. As an example, [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 ⁸¹ Bowen knew that to achieve
19 the ultimate goal of acquisition, JLI and the Management Defendants would have to grow the market
20 share of nicotine-addicted e-cigarette users, including youth in particular, regardless of the human cost.

21 94. JLI and the Management Defendants sought to grow the market share of nicotine-
22 addicted e-cigarette users beginning by at least early 2015 through two related schemes: first, by
23 designing an unsafe product with a high nicotine content that was intended to addict, or exacerbate the
24 addiction, especially among young people; and, second, by marketing and misbranding that potent
25 product to the broadest possible audience of potential customers, including young people, in particular,
26 whose addiction would last the longest and be the most profitable for the Defendants.
27
28

⁸¹ INREJUUL_00294198.

95. These schemes were an overwhelming success. By the close of 2017, according to Nielsen data, JLI had surpassed its competitors in capturing 32.9% of the e-cigarette market, with British American Tobacco at 27.4% and Altria at 15.2%.⁸² The total e-cigarette market expanded 40% to \$1.16 billion.⁸³

96. In 2018, JLI's gross profit margins were 70%⁸⁴ and it represented 76.1% of the national e-cigarette market.⁸⁵ In a complaint it filed in November 2018 against 24 vape companies for alleged patent infringement, JLI asserted that it was "now responsible for over 95% of the growth in the ENDS pod refill market in the United States" and included the following chart:⁸⁶

Appendix 5: U.S. ENDS Pod Market Retail Unit Sales Growth 2018

4-Week Unit Sales by End Date

	Nielsen			IRI		
	Apr 21	Sep 8	Share of Growth	Apr 22	Sep 9	Share of Growth
Total Market	36,002,645	55,773,039	100%	29,546,883	50,793,955	100%
Juul	22,618,886	41,501,172	95.5%	14,964,158	35,166,120	95.1%
Vuse	6,385,922	6,172,595	-1.1%	7,204,900	7,409,312	1.0%
MarkTen	3,677,300	4,240,285	2.8%	2,904,168	3,230,237	1.5%
Logic	1,785,167	2,018,023	1.2%	1,928,841	1,876,006	-0.2%
Blu	1,062,360	1,461,127	2.0%	1,305,209	1,937,225	3.0%
Other	473,010	379,837	-0.5%	1,239,607	1,175,055	-0.3%

⁸² Ari Levy, *E-cigarette maker Juul is raising \$150 million after spinning out of vaping company*, CNBC (Dec. 20, 2017), <https://www.cnbc.com/2017/12/19/juul-labs-raising-150-million-in-debt-after-spinning-out-of-pax.html>.

⁸³ *Id.*

⁸⁴ Dan Primack, *Scoop: The Numbers Behind Juul's Investor Appeal*, AXIOS (July 2, 2018), <https://www.axios.com/numbers-juul-investor-appeal-vaping-22c0a2f9-beb1-4a48-acee-5da64e3e2f82.html>.

⁸⁵ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market at 2*, STAN. RES. INTO THE IMPACT OF TOBACCO ADVERT. (2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

⁸⁶ Verified Complaint Under Section 337 of the Tariff Act of 1930 at 6, *In the Matter of Certain Cartridges for Elec. Nicotine Delivery Sys. & Components Thereof*, Investigation No. 337-TA-1141 (USITC Nov. 19, 2018).

97. JLI shattered previous records for reaching decacorn status, reaching valuation of over \$10 billion in a matter of months—four times faster than Facebook.⁸⁷ This all came just three years after its product launch.

C. JLI and Bowen Designed a Nicotine Delivery Device Intended to Create and Sustain Addiction, Particularly Among Young People.

98. JLI was well-aware from the historical cigarette industry documents that the future of any nicotine-delivery business depends on snaring kids before they age beyond the window of opportunity. One memo from a Lorillard marketing manager to the company’s president put it most succinctly, “[t]he base of our business is the high school student.”⁸⁸ It is no surprise, then, that the industry designed products specifically to attract and addict teen smokers. Claude Teague of R.J. Reynolds titled one internal memo “Research Planning Memorandum on Some Thoughts About New Brands of Cigarettes for the Youth Market.” In it he frankly observed, “Realistically, if our Company is to survive and prosper, over the long term, we must get our share of the youth market. In my opinion this will require new brands tailored to the youth market.”⁸⁹ Dr. Teague noted that “learning smokers” have a low tolerance for throat irritation so the smoke should be “as bland as possible,” i.e., not harsh; and he specifically recommended an acidic smoke “by holding pH down, probably below 6.” As seen below, JLI heeded Dr. Teague’s advice.

1. JLI and Bowen Made Highly Addictive E-Cigarettes Easy for Young People and Non-Smokers’ to Inhale.

99. As combustible cigarettes were on the decline, e-cigarettes were introduced to the U.S. market beginning in 2007. Over time, e-cigarettes developed a small group of regular users, who were primarily current or former smokers. By 2014, the e-cigarette market in the U.S. was in decline.

⁸⁷ Zack Guzman, *Juul Surpasses Facebook As Fastest Startup to Reach Decacorn Status*, YAHOO! FIN. (Oct. 9, 2018), <https://finance.yahoo.com/news/juul-surpasses-facebook-fastest-startup-reach-decacorn-status-153728892.html>.

⁸⁸ Internal Memo from T.L. Achey, Lorillard Tobacco Company, to Curtis Judge, Product Information (August 1978).

⁸⁹ Internal Memo from Claude Teague, R.J. Reynolds, *Research Planning Memorandum on Some Thoughts About New Brands of Cigarettes for the Youth Market* (Feb. 2, 1973).

100. E-cigarettes struggled to compete with combustible cigarettes, because of the technical challenge of delivering enough aerosolized nicotine to satisfy a smoker's addiction in a palatable form.⁹⁰ Before JUUL, most e-cigarettes used an alkaline form of nicotine called free-base nicotine.⁹¹ When aerosolized and inhaled, free-base nicotine is relatively bitter, irritates the throat, and is perceived as harsh by the user.⁹² This experience is often referred to as a "throat hit." The higher the concentration of free-base nicotine, the more intense the "throat hit."⁹³ While some "harshness" would not have much impact on seasoned cigarette smokers, it would deter newcomers, or nicotine "learners," as Claude Teague at R.J. Reynolds called young non-smokers decades ago.

101. Before 2015, most e-liquids on the market were between 1% and 2% concentration; 3% concentrations were marketed as appropriate for consumers who were accustomed to smoking approximately forty cigarettes a day.⁹⁴ None of these e-liquids delivered as much nicotine as quickly as a combustible cigarette.

102. Around 2013, JLI scientists developed new e-liquids and new devices to increase the amount of nicotine that e-cigarettes could deliver to users and to reduce the throat hit. JLI scientists focused on nicotine salts rather than free-base nicotine, and they tested their formulations in a variety of ways.

2. JLI's Initial Experiments Measured Non-Smokers "Buzz" Levels and Perceptions of Throat Harshness.

103. JLI intentionally designed its product to minimize "throat hit" and maximize "buzz."

[REDACTED]

[REDACTED]

[REDACTED]

⁹⁰ Robert K. Jackler & Divya Ramamurthi, *Nicotine Arms Race: JUUL and the High-nicotine Product Market*, 28 TOBACCO CONTROL 623 (2019).

⁹¹ *Id.*

⁹² *Id.*

⁹³ *Id.*

⁹⁴ *Id.*

[REDACTED]

[REDACTED]

104. In these early tests, [REDACTED]

[REDACTED]

[REDACTED]⁹⁵ The aim was to develop a nicotine salt formulation that maximized buzz, minimized harshness. “Employees tested new liquid-nicotine formulations on themselves or on strangers taking smoke breaks on the street. Sometimes, the mix packed too much punch – enough nicotine to make some testers’ hands shake or send them to the bathroom to vomit”⁹⁶

105. The [REDACTED]

[REDACTED]

[REDACTED]⁹⁷

[REDACTED]

106. [REDACTED]

[REDACTED]

[REDACTED]

⁹⁵ INREJUUL_00002903.

⁹⁶ Chris Kirkham, *Juul Disregarded Early Evidence it was Hooking Teens*, REUTERS (Nov. 5, 2019), <https://www.reuters.com/investigates/special-report/juul-ecigarette/>.

⁹⁷ INREJUUL_00002903.

107. A later study by Anna K. Duell et al., which examined 4% benzoate solutions—the basis for JUUL’s subsequent commercial formulations—explains why there was so little throat hit. The Duell study determined that the fraction of free-base nicotine in JUUL’s “Fruit Medley” flavor was 0.05 and in “Crème Brûlée” was 0.07.⁹⁸ Given total nicotine content of 58 mg/ml and 56 mg/ml in each flavor, respectively, these flavors have roughly 3-4 mg/ml free-base nicotine. For comparison, “Zen” brand e-liquid contains 17 mg/ml of nicotine—less than one-third of the total nicotine content of JUUL’s flavors—but has a free-base fraction of 0.84,⁹⁹ resulting in over 14 mg/ml of free-base nicotine. The Duell Study’s authors found that the low free-base fraction in JUUL aerosols suggested a “decrease in the perceived harshness of the aerosol to the user and thus a greater abuse liability.”¹⁰⁰

108. Dramatically reducing the throat hit is not necessary for a product that is aimed at smokers, who are accustomed to the harshness of cigarette smoke, but it very effectively appeals to nonsmokers, especially youth. The cigarette industry has long recognized this; a published study of industry documents concluded that “product design changes which make cigarettes more palatable, easier to smoke, or more addictive are also likely to encourage greater uptake of smoking.”¹⁰¹ The Duell study concluded that JLI’s use of nicotine salts “may well contribute to the current use prevalence of JUUL products among youth.”¹⁰²

109. Reducing the harshness of nicotine also allows more frequent use of e-cigarettes, for longer periods of time, and masks the amount of nicotine being delivered. By removing the physiological drawbacks of inhaling traditional free-base nicotine, JLI’s technology removes the principal barrier to nicotine consumption and addiction. The Duell study further concluded that JLI’s

⁹⁸ U.S. Patent No. 9,215, 895; Anna K. Duell et al., *Free-Base Nicotine Determination in Electronic Cigarette Liquids by H NMR Spectroscopy*, 31 CHEM. RES. TOXICOL. 431, 432 (Fig. 3).

⁹⁹ Anna K. Duell et al., *Free-Base Nicotine Determination in Electronic Cigarette Liquids by H NMR Spectroscopy*, 31 CHEM. RES. TOXICOL. 431 (*hereinafter* “Duell Study”).

¹⁰⁰ *Id.* at 431–34.

¹⁰¹ David A. Kessler, *Juul Says It Doesn’t Target Kids. But Its E-Cigarettes Pull Them In*, N.Y. TIMES (July 31, 2019), <https://www.nytimes.com/2019/07/31/opinion/juul-kids.html>.

¹⁰² Duell Study at 433 (citing J. G. Willett, et al., *Recognition, use and perceptions of JUUL among youth and young adults*, TOBACCO CONTROL 054273 (2018)).

creation of a non-irritating vapor that delivers unprecedented amounts of nicotine is “particularly problematic for public health.”¹⁰³

3. JUULs Rapidly Deliver Substantially Higher Doses of Nicotine than Cigarettes.

110. In 2014, [REDACTED]
[REDACTED]¹⁰⁴ [REDACTED]
[REDACTED]¹⁰⁵ [REDACTED]. From
these measurements, the scientists calculated key pharmacokinetic parameters, including maximum concentration of nicotine in the blood (Cmax) and total nicotine exposure (Area Under the Curve or AUC). JLI reported the results in U.S. Patent No. 9,215,895 (the ‘895 patent), for which JLI applied on October 10, 2014,¹⁰⁶ and which was granted in December 2015. The named inventors on the patent were Adam Bowen and Chenyue Xing

111. Among the formulations was a 4% benzoate formulation, which was made with 3.8% benzoic acid and 5% nicotine, as well as propylene glycol and vegetable glycerin.¹⁰⁷ As a comparator, JLI also measured nicotine blood levels after smoking Pall Mall cigarettes. [REDACTED]
[REDACTED]
[REDACTED]¹⁰⁸ [REDACTED]

¹⁰³ *Id.* at 431.

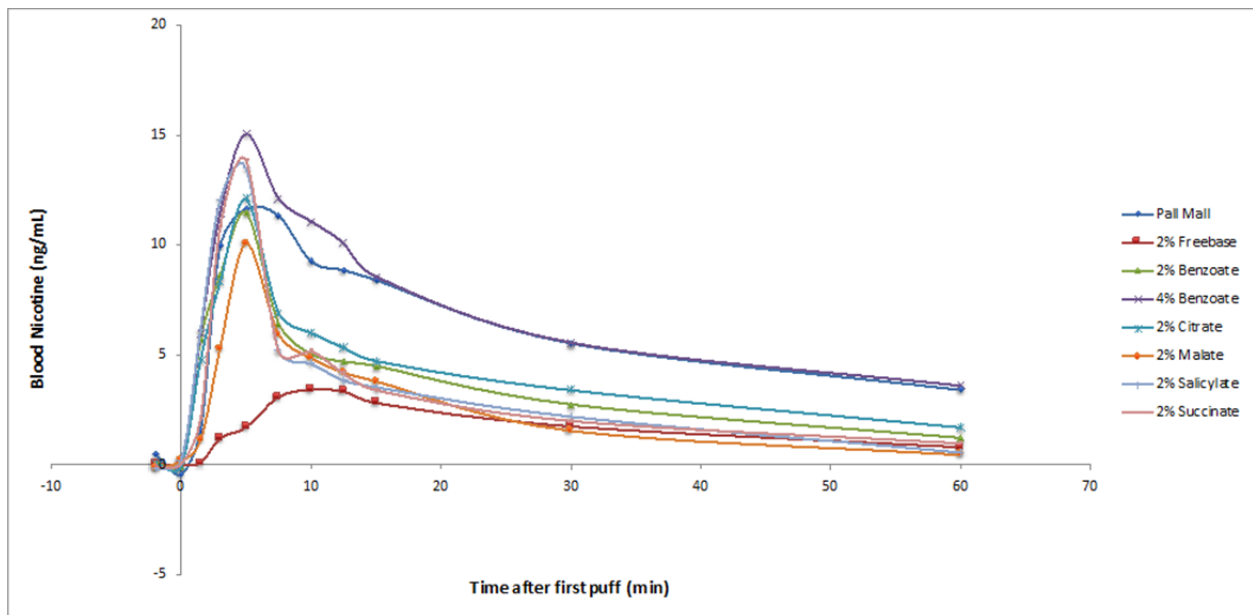
¹⁰⁴ INREJUUL_00350930.

¹⁰⁵ *Id.*

¹⁰⁶ This application was a continuation of U.S. Patent Application No. 14/271,071 (filed May 6, 2014), which claimed the benefit of U.S. Provisional Patent Application Serial No. 61/820,128, (filed May 6, 2014), and U.S. Provisional Patent Application Serial No. 61/912,507 (filed December 5, 2013).

¹⁰⁷ U.S. Patent No. 9,215,895, at 19:63-20:4 (filed Dec. 22, 2015).

¹⁰⁸ INREJUUL_00024437.



112. According to Table 1 in the patent, the Cmax (the maximum nicotine concentration in blood) for Pall Mall cigarettes was 11.65 ng/mL, and for 4% benzoate it was 15.06 ng/mL, which is nearly 30% higher. The total nicotine exposure (as measured by Area Under the Curve or AUC) was 367.5 ng * min/mL for Pall Mall cigarettes and 400.2 ng * min/mL for 4% benzoate, which is almost 9% higher. The 4% benzoate formulation had the highest Cmax and AUC of any of the formulations measured.

113. Describing these results, JLI's '895 patent all but brags that it surpassed a commercially available combustible cigarette (Pall Mall) in maximum delivery and nearly rivaled it in how soon it could deliver peak nicotine. According to the '895 patent, "certain nicotine salt formulations [i.e., JLI's] provide satisfaction in an individual superior to that of free base nicotine, and more comparable to the satisfaction in an individual smoking a traditional cigarette."¹⁰⁹ The patent further explains that the "rate of nicotine uptake in the blood" is higher for some claimed nicotine salt formulations "than for other nicotine salt formulations aerosolized by an electronic cigarette . . . and likewise higher than

¹⁰⁹ U.S. Patent No. 9,215, 895, at 7:51-55 (filed Dec. 22, 2015) (emphasis added).

1 nicotine free-base formulations, while the peak nicotine concentration in the blood and total amount of
 2 nicotine delivered appears comparable to a traditional cigarette.”¹¹⁰

3 114. In other words, JLI distinguishes itself, and established the patentability of its e-liquids,
 4 by reference to their superlative ability to deliver nicotine, both in terms of peak blood concentration
 5 and total nicotine delivery. The rate of nicotine absorption is key to providing users with the nicotine
 6 “kick”¹¹¹ that drives addiction and abuse, including among youth.¹¹² Because “nicotine yield is
 7 strongly correlated with tobacco consumption,”¹¹³ a JUUL pod with more nicotine will strongly
 8 correlate with higher rates of consumption of JUUL pods, generating more revenue for JUUL. For
 9 example, a historic cigarette industry study that looked at smoker employees found that “the number of
 10 cigarettes the employees smoked per day was directly correlated to the nicotine levels.”¹¹⁴ In essence,
 11 JLI distinguished itself based on its e-liquids’ extraordinary potential to addict.
 12

13 115. [REDACTED]

14 [REDACTED]¹⁵ The Reilly study tested JUUL’s
 15 tobacco, crème brûlée, fruit medley, and mint flavors and found that a puff of JUUL delivered 164 ±
 16 41 micrograms of nicotine per 75 mL puff. By comparison, a 2014 study using larger 100 mL puffs
 17
 18
 19

20 ¹¹⁰ *Id.* at 7:63-8:4.

21 ¹¹¹ Internal Memo from Frank G. Colby, R.J. Reynolds, *Cigarette Concept to Assure RJR a Larger Segment of the Youth Market* (Dec. 4, 1973).

22 ¹¹² As the National Institutes of Health has noted, the “amount and speed of nicotine delivery . . . plays a critical role in the potential for abuse of tobacco products.” *How Tobacco Smoke Causes Disease: The Biology and Behavioral Basis for Smoking-Attributable Disease, A Report of the Surgeon General* at 181 (2010),

23 https://www.ncbi.nlm.nih.gov/books/NBK53017/pdf/Bookshelf_NBK53017.pdf

24 ¹¹³ Martin J. Jarvis et al., *Nicotine Yield From Machine Smoked Cigarettes and Nicotine Intakes in Smokers: Evidence From a Representative Population Survey*, 93 NT’L CANCER INST. 134 (Jan. 17, 2001), <https://academic.oup.com/jnci/article/93/2/134/2906355>

25 ¹¹⁴ Letter from Peggy Martin to Study Participants, *Resume of Results from Eight-Week Smoking Study*, UCSF Library, 1003285443-5443 (Sept. 10, 1971).

26 ¹¹⁵ Samantha M. Reilly et al., *Free Radical, Carbonyl, and Nicotine Levels Produced by JUUL Electronic Cigarettes*, 21 NICOTINE TOBACCO RESEARCH 1274 (Aug. 19, 2019), <https://www.ncbi.nlm.nih.gov/pubmed/30346584>.

found that a Marlboro cigarette delivered 152-193 $\mu\text{g}/\text{puff}$.¹¹⁶ Correcting to account for the different puff sizes between these two studies, this suggests that, at 75 mL/puff, a Marlboro would deliver about 114-145 $\mu\text{g}/\text{puff}$. In other words, the Reilly study suggests that JUUL delivers more nicotine per puff than a Marlboro cigarette.

116. Additionally, depending on how the product is used, an e-cigarette with the 4% benzoate solution is capable of delivering doses that are materially higher [REDACTED] [REDACTED] As a paper published by the European Union notes: “[A]n e-cigarette with a concentration of 20 mg/ml delivers approximately 1 milligram of nicotine in five minutes (the time needed to smoke a traditional cigarette, for which the maximum allowable delivery is 1 mg of nicotine).”¹¹⁷ With at least 59 mg/ml of nicotine in a salt form that increases the rate and efficiency of uptake (and even with a lower mg/ml amount), a JUUL pod easily exceeds the nicotine dose of a combustible cigarette. Not surprisingly, the European Union has banned all e-cigarette products with a nicotine concentration of more than 20 mg/ml nicotine, and other countries have considered similar regulations.¹¹⁸

117. [REDACTED]

[REDACTED]¹¹⁹

¹¹⁶ Megan J. Schroeder & Allison C. Hoffman, *Electronic Cigarettes and Nicotine Clinical Pharmacology*, 23 TOBACCO CONTROL ii30 (May 23, 2014), www.ncbi.nlm.nih.gov/pmc/articles/PMC3995273/.

¹¹⁷ E-Cigarettes, European Comm’n, https://ec.europa.eu/health/sites/health/files/tobacco/docs/fs_ecigarettes_en.pdf (citing United Kingdom Medicines and Healthcare Products Regulatory Agency and industry reports).

¹¹⁸ Charis Girvalaki et al., *Discrepancies in Reported Versus Measured Nicotine Content of E-cigarette Refill Liquids Across Nine European Countries Before and After the Implementation of the EU Tobacco Products Directive*, 55 EUR. RESPIR. J. 1900941 (2020), <https://doi.org/10.1183/13993003.00941-2019>.

¹¹⁹ INREJUUL_00442040-INREJUUL_00442080; INREJUUL_00442064.

1 [REDACTED]
 2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]
 10 [REDACTED]
 11 [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 118. Given the concentration of nicotine in a JUUL pod, four to five milligrams of JUUL e-
 15 liquid contains about 200-250 micrograms (μg) of nicotine. [REDACTED]
 16 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]

120 In other words, JUUL's precisely calibrated
 nicotine delivery system was specifically engineered to aerosolize [REDACTED]
 [REDACTED]
 [REDACTED]
 121

119. JLI scientists realized in 2014 that the amount of nicotine that JUUL e-cigarettes
 delivered could be problematic. Chenyue Xing stated that "[y]ou hope that they get what they want,
 and they stop," but JLI scientists were concerned that "a Juul—unlike a cigarette—never burns out," so
 the device gives no signal to the user to stop. According to Xing, JLI scientists "didn't want to

¹²⁰ INREJUUL_00347306.

¹²¹ *Id.*

1 introduce a new product with stronger addictive power.”¹²² For this reason, “the company’s engineers
 2 explored features to stop users from ingesting too much of the drug, too quickly. JLI’s founders
 3 applied for a patent in 2014 that described methods for alerting the user or disabling the device when
 4 the dose of a drug such as nicotine exceeds a certain threshold.”¹²³ For example, “[o]ne idea was to
 5 shut down the device for a half-hour or more after a certain number of puffs[.]”¹²⁴ But upper
 6 management rejected the concerns that the scientists raised, and “[t]he company never produced an e-
 7 cigarette that limited nicotine intake.”¹²⁵

9 120. As another option, JLI could have limited the duration of each puff to prevent the JUUL
 10 from delivering doses of nicotine exceeding those of a cigarette on a per-puff basis. Instead, it

11 [REDACTED] ¹²⁶ [REDACTED]
 12 [REDACTED]
 13 [REDACTED] ¹²⁷
 14 [REDACTED]

15 121. Further warnings about the addictive power of the JUUL e-cigarette—and its appeal to
 16 youths—came [REDACTED]

17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED] ¹²⁸ [REDACTED]
 23 [REDACTED]

24 _____
 25 ¹²² Chris Kirkham, *Juul Disregarded Early Evidence it was Hooking Teens*, REUTERS (Nov. 5, 2019),
 26 <https://www.reuters.com/investigates/special-report/juul-ecigarette/>.

27 ¹²³ *Id.*

28 ¹²⁴ *Id.*

¹²⁵ *Id.*

¹²⁶ INREJUUL_00431693.

¹²⁷ INREJUUL_00351218; INREJUUL_00351239.

¹²⁸ JLI00365905.

1 [REDACTED]

2 [REDACTED]¹²⁹

3 122. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]¹³⁰

7 [REDACTED]

8 123. [REDACTED]

9 [REDACTED]¹³¹ [REDACTED]

10 [REDACTED]

11 [REDACTED]¹³² [REDACTED]

12 [REDACTED]¹³³

13 124. [REDACTED]

14 [REDACTED]¹³⁴ [REDACTED]¹³⁵

15 125. In late 2014, knowing the results [REDACTED]

16 [REDACTED]

17 [REDACTED] All JUUL formulations at

18 launch used the same amount of nicotine and benzoic acid as did the formulation that resulted in the

19 highest nicotine blood levels [REDACTED]. JUUL pods were foreseeably exceptionally

20 addictive, particularly when used by persons without prior exposure to nicotine.

21
22
23
24
25 ¹²⁹ *Id.* (emphasis added).

26 ¹³⁰ JLI00365709.

27 ¹³¹ JLI00365176.

28 ¹³² INREJUUL_00058345.

¹³³ *Id.*

¹³⁴ JLI00364678.

¹³⁵ JLI00364487.

4. JLI and the Management Defendants Knew That JUUL was Unnecessarily Addictive Because It Delivered More Nicotine Than Smokers Needed or Wanted.

126. The JUUL e-cigarette launched in 2015. After the launch, JLI and the Management Defendants continued to collect information about the addictiveness of JUUL. This information confirmed what they already knew: JUUL was exceptionally dangerous because of its addictiveness, especially among youth.

127. For example,

. He wrote:

¹³⁶ INREJUUL_00264888-INREJUUL_00264890.

_____ ¹³⁸ This is

consistent with a central goal of the product’s design: capturing “users with the first hit.”¹³⁹

140

[REDACTED]

[REDACTED] Similarly

[REDACTED] 142

142 INREJUUL 00260065.

132. [REDACTED]

[REDACTED] 143

133. [REDACTED]

[REDACTED] 144

134. [REDACTED]

[REDACTED] 145

135. [REDACTED]

[REDACTED] 146

136. [REDACTED]

5. JUUL’s Design Did Not Look Like a Cigarette, Making it Attractive to Non-Smokers and Easy for Young People to Use Without Detection.

137. Not only did JUUL contain high levels of nicotine that delivered a strong “buzz” from the first puff, JLI designed its product to look appealing to youth and non-smokers. In [REDACTED]

¹⁴³ INREJUUL_00244200.

¹⁴⁴ *Id.*

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.*

1 [REDACTED]
2 [REDACTED]
3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 138. JLI's strategy to position a nicotine-delivery device as the cool thing to do is not new.
8 Decades before, Dr. Teague from R.J. Reynolds observed: "pre-smokers" face "psychological
9 pressure" to smoke if their peers are doing so, "a new brand aimed at a young smoker must somehow
10 be the 'in' brand and its promotion should emphasize togetherness, belonging and group acceptance,
11 while at the same time emphasizing 'doing one's own thing.'"¹⁴⁹ Again, JUUL followed the cigarette
12 playbook verbatim.

13
14 139. JLI knew that among its target audience, young people, cigarette smoking had become
15 increasingly stigmatized. JLI wanted to create a product that would create "buzz" and excitement,
16 totally different from the image of addicted cigarette smokers huddling outside their workplaces in the
17 cold to get their nicotine fix.

18 140. Unlike the distinct smell and odor emitted from combustible cigarettes, JUUL emits a
19 reduced aerosol with a nearly undetectable scent. And unlike other e-cigarettes, the JUUL device does
20 not produce large plumes of smoke. Instead, the vapor cloud is very small and dissipates very quickly,
21 allowing for concealed use. As a result, young users can, and do, use JUUL—in class or at home—
22 without detection.
23

24 141. The JUUL device is also designed to be small and discrete. Fully assembled, the device
25 is just over 9.5 cm in length and 1.5 cm wide. The JUUL device resembles a memory stick and can be
26 charged in a computer's USB drive. This design allows the device to be concealed in plain sight,
27

28 ¹⁴⁸ INREJUUL_00057291 *et seq.*

¹⁴⁹ Internal RJR Memo, Claude Teague, *Research Planning Memorandum on Some Thoughts About New Brands of Cigarettes for the Youth Market*, (Feb. 2, 1973).

1 camouflaged as a thumb-drive, for use in public spaces, like schools and even charged in school
2 computers. JLI has been so successful in emulating harmless technology that its small, rectangular
3 devices are often mistaken for—or passed off as—flash drives. According to one high school senior,
4 “that’s what people tell the teachers a lot, too, if you charge it in class, they’ll just say it’s my flash
5 drive.”¹⁵⁰
6



142. The ability to conceal a JUUL is part of the appeal for adolescents. The devices are
small and slim, so they fit easily in a closed hand or a pocket. The ease and simplicity of use—there is
nothing to light or unwrap, not even an on-off switch—also make it possible to covertly use a JUUL
behind a turned back, which has become a trend in many schools. As a police officer told reporters,

JUUL use is “incredibly prevalent in schools,” including both high schools and middle schools, and that it is hard to catch kids in the act of using JUUL because the device does not produce a large vapor cloud. As the officer explained, students will “just take a little hit or puff off them and then can hold the vapor in their mouth for a little while . . . There’s minimal vapor. They’ll also just blow into their sleeve or into their hoodie.”¹⁵¹ Finding new ways to hide the ever-concealable JUUL has spawned products designed just for that purpose, such as apparel that allows the wearer to use the device while it is concealed in the drawstring of a hoodie or the strap of a backpack.¹⁵²

143. Referred to as “the iPhone of e-cigarettes,” JLI’s design was also slick and high-tech, which made it appealing to youth. JLI co-founder Bowen drew on his experience as a design engineer at Apple Inc. (“Apple”) to make JUUL resonate with Apple’s popular aesthetics. This high-tech style made JUULs look “more like a cool gadget and less like a drug delivery device. This wasn’t smoking or vaping, this was JUULing.”¹⁵³ The evocation of technology makes JUUL familiar and desirable to the younger tech-savvy generation, particularly teenagers. According to a 19-year-old interviewed for the Vox series By Design, “our grandmas have iPhones now, normal kids have JUULs now. Because it looks so modern, we kind of trust modern stuff a little bit more so we’re like, we can use it, we’re not going to have any trouble with it because you can trust it.”¹⁵⁴ A 16-year-old agreed, explaining that “the tech aspect definitely helps people get introduced to it and then once they’re introduced to it, they’re staying, because they are conditioned to like all these different products. And then this is another product. And it’s just another product. Until you’re addicted to nicotine.”¹⁵⁵

¹⁵¹ *Juuling at School*, KOMO News (2019), <https://komonews.com/news/healthworks/dangerous-teen-trend-juuling-at-school>.

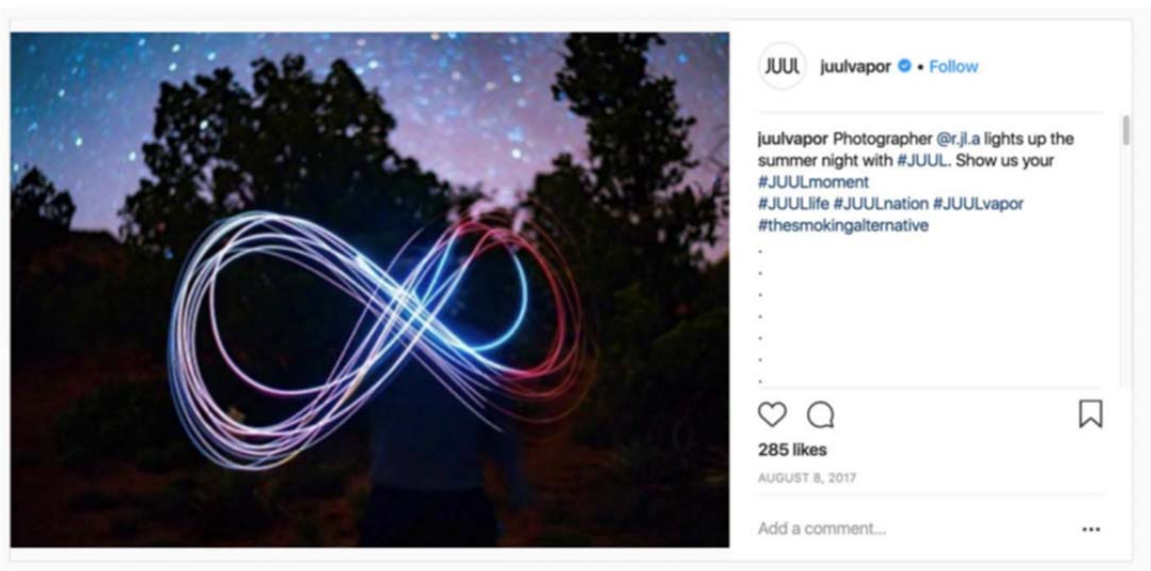
¹⁵² Evie Blad, ‘*Juuling*’ and Teenagers: 3 Things Principals and Teachers Need to Know, EDUC. WK. (July 18, 2018), <https://www.edweek.org/ew/articles/2018/07/18/juuling-and-teenagers-3-things-principals-and.html>.

¹⁵³ *How JUUL Made Nicotine Go Viral*, VOX (Aug. 10, 2018), <https://www.youtube.com/watch?v=AFOPoKBUyok>.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

144. JUUL’s design also included an LED light, which allowed users to active “party mode,” whereby the LED light would flash a rainbow of colors. “Party mode” is activated by the user by waving the JUUL device back and forth until the white LED light starts flashing multiple colors, so that the rainbow colors are visible while the person inhales from the JUUL device. “Party mode” can also be permanently activated on the JUUL by the user quickly and firmly slapping the JUUL against the palm of the hand, until the LED light starts flashing multiple colors permanently. Party mode on the JUUL is described by users to be “like an Easter egg in a video game” and allows for “some cool tricks that are going to drive [] friends crazy.”¹⁵⁶ This feature was another characteristic that set JUUL apart from other e-cigarettes on the market, and made it even more appealing and “cool” to young users.



145. According to Dr. David Kessler, a former Commissioner of the FDA and current Professor of Pediatrics at the University of California, San Francisco, JUUL’s “fundamental design appears to ease young people into using these e-cigarettes and ultimately, addiction.”¹⁵⁷ Dr. Kessler emphasized the reduced harshness of JUUL’s nicotine salt formulation, the high nicotine content,

¹⁵⁶ Jon Hos, *Getting Your Juul Into Party Mode*, VAPE DRIVE (Jul. 12, 2018), <https://vapedrive.com/getting-your-juul-into-party-mode>.

¹⁵⁷ David A. Kessler, *Juul Says It Doesn’t Target Kids. But Its E-Cigarettes Pull Them In*, N.Y. TIMES (July 31, 2019), <https://www.nytimes.com/2019/07/31/opinion/juul-kids.html>.

discreet vapor cloud, and use of flavors as design features that appeal to youth.¹⁵⁸ On April 24, 2018, the FDA sent JLI a letter, based on the FDA’s concern “about the popularity of JUUL products among youth” and stated that this popularity may be related to “the product design.”¹⁵⁹ As a result, the FDA requested documents related to product design, including its “shape or form,” “nicotine salt formulation” and “nicotine concentration/content,” “flavors,” and “features such as: appearance, or lack thereof, or plume . . . [and] USB port rechargeability.”

6. JLI Enticed Newcomers to Nicotine with Kid-Friendly Flavors Without Ensuring the Flavoring Additives Were Safe for Inhalation.

a. JLI Develops Flavored JUUL Products That Would Appeal to Youth.

146. Cigarette companies have known for decades that flavored products are key to getting young people to acclimate to nicotine. A 1972 Brown & Williamson memorandum: *Youth Cigarette – New Concepts*, specifically noted the “well known fact that teenagers like sweet products.”¹⁶⁰ A 1979 Lorillard memorandum concluded that younger customers would be “attracted to products with ‘less tobacco taste,’” and even proposed borrowing data from the “Life Savers” candy company to determine which flavors enjoyed the widest appeal among youth.¹⁶¹

147. Altria’s subsidiary U.S. Smokeless Tobacco Company (formerly called United States Tobacco Company) described the initiation of new customers through flavored products as “the graduation theory”:

New users of smokeless tobacco—attracted to the product for a variety of reasons—are most likely to begin with products that are milder tasting, more flavored, and/or easier

¹⁵⁸ *Id.*

¹⁵⁹ Letter from Matthew R. Holman, Director of the Office of Science at the Center for Tobacco Products, to Ziad Rouag, Vice President of Regulatory & Clinical Affairs, JUUL Labs, Inc. (Apr. 24, 2018), <https://www.fda.gov/media/112339/download>.

¹⁶⁰ Marketing Innovations, Inc., *Brown & Williamson Tobacco Corp. Project Report: Youth Cigarette—New Concepts*, U.C.S.F. Truth Tobacco Indus. Documents (Sept. 1972), <https://www.industrydocuments.ucsf.edu/tobacco/docs/#id=hazpd0040>.

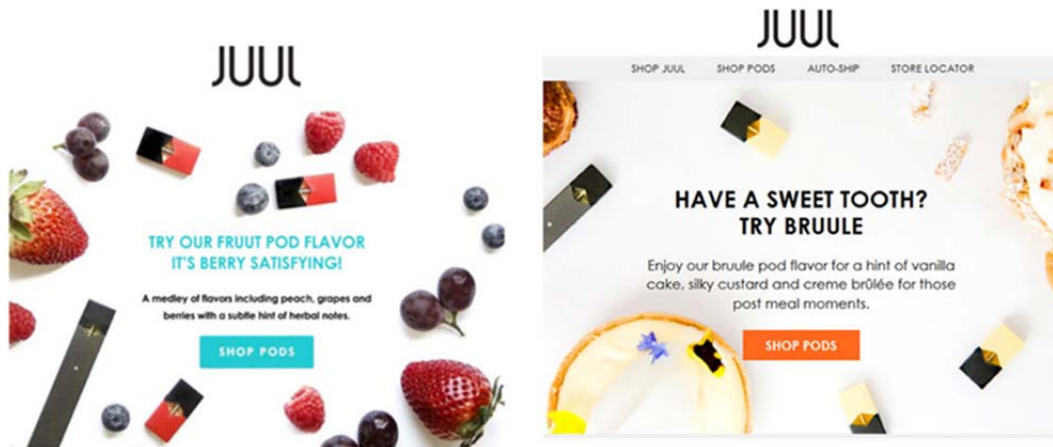
¹⁶¹ *Flavored Tobacco FAQs*, Students Working Against Tobacco, <http://swatflorida.com/uploads/fightresource/Flavored%20Tobacco%20Industry%20Quotes%20and%20Facts.pdf> (citing Sedgefield Idea Sessions 790606-790607 (June 8, 1979), Bates No. 81513681/3691) (last visited Mar. 27, 2020).

to control in the mouth. After a period of time, there is a natural progression of product switching to brands that are more full-bodied, less flavored, have more concentrated “tobacco taste” than the entry brand.¹⁶²

148. A sales manager who worked at U.S. Tobacco in the 1980s told the Wall Street Journal that “They talked about graduation all the time—in sales meetings, memos and manuals for the college program. It was a mantra.”¹⁶³

149. A 2004 study found that seventeen-year-old smokers were more than three times as likely as those over the age of twenty-five to smoke flavored cigarettes, and they viewed flavored cigarettes as safer.¹⁶⁴

150. In June 2015, JUUL came to market in four flavors including tabaac (later renamed tobacco), fruit (later renamed fruit medley), bruulé (later renamed crème brulee), and miint (later renamed mint).

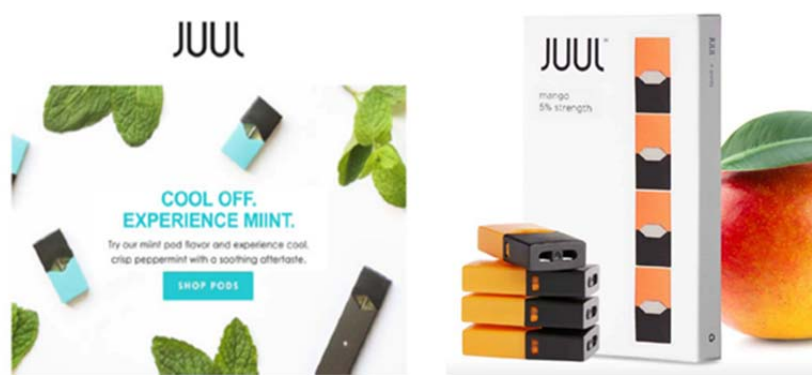


151. JUUL later offered other kid-friendly flavors, including cool mint, cucumber, and mango.

¹⁶² G.N. Connolly, *The marketing of nicotine addiction by one oral snuff manufacturer*, 4 TOBACCO CONTROL 73-79 (1995), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1759392/pdf/v004p00073.pdf>.

¹⁶³ Alix Freedman, *Juiced Up: How a Tobacco Giant Doctors Snuff Brands to Boost Their ‘Kick,’* WALL ST. J. (Oct. 26, 1994), <https://www.industrydocuments.ucsf.edu/tobacco/docs/#id=mlch0185>.

¹⁶⁴ Gardiner Harris, *Flavors Banned From Cigarettes to Deter Youth*, N.Y. TIMES (Sept. 22, 2009), <https://www.nytimes.com/2009/09/23/health/policy/23fda.html>.



152. In 2009, the FDA banned flavored cigarettes (other than menthol) as its first major anti-tobacco action pursuant to its authority under the Family Smoking Prevention and Tobacco Control Act of 2009. “Flavored cigarettes attract and allure kids into addiction,” Health and Human Services Assistant Secretary Howard Koh, MD, MPH, said at a news conference held to announce the ban.¹⁶⁵ In agreement, former FDA Commissioner Dr. Margaret Hamburg declared that “flavored cigarettes are a gateway for many children and young adults to become regular smokers.”¹⁶⁶ A 2017 study of the cigarette flavor ban found that the ban was effective in lowering both the number of smokers and the amount smoked by smokers, though it was associated with an increased use of menthol cigarettes (the only flavor still available).¹⁶⁷

153. In January 2020, the FDA banned flavored e-cigarette pods, other than “Tobacco” and “Menthol” flavors, in response to “epidemic levels of youth use of e-cigarettes” because these products are “so appealing” to children.”¹⁶⁸

¹⁶⁵ Daniel J. DeNoon, *FDA Bans Flavored Cigarettes: Ban Includes Cigarettes With Clove, Candy, and Fruit Flavors*, WebMD (Sept. 22, 2009), <https://www.webmd.com/smoking-cessation/news/20090922/fda-bans-flavored-cigarettes#2>.

¹⁶⁶ *Id.*

¹⁶⁷ Charles J. Courtemanche et al., *Influence of the Flavored Cigarette Ban on Adolescent Tobacco Use*, AM. J. OF PREVENTIVE MED. 52(5):e139 - e146 (May 2017), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5401634/pdf/nihms842675.pdf>; M.B. Harrell et al., *Flavored e-cigarette use: Characterizing youth, young adult, and adult users*, 5 PREV. MED REP. 33–40 (Nov. 11, 2016), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5121224/pdf/main.pdf>.

¹⁶⁸ U.S. Food & Drug Admin., *FDA Finalizes Enforcement Policy on Unauthorized Flavored Cartridge-Based E-cigarettes that Appeal to Children, Including Mint* (Jan. 22, 2020), <https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children>.

1 154. The availability of e-liquids in flavors that appeal to youth increases rates of e-cigarette
 2 adoption by minors. According to the Surgeon General, 85% of adolescents who use e-cigarettes use
 3 flavored varieties.¹⁶⁹ Studies also show that flavors motivate e-cigarette initiation among youth,¹⁷⁰ and
 4 that youth are much more likely to use flavored tobacco products than adults are.¹⁷¹ Flavored e-
 5 cigarettes play a large role in the youth vaping epidemic. As mentioned above, flavors motivate e-
 6 cigarette initiation among youth and youth are much more likely to use flavored tobacco products than
 7 adults.¹⁷² According to the FDA, 96% of twelve to seventeen-year-olds who recently begun using e-
 8 cigarettes reported using a flavored e-cigarette the first time they tried the product.¹⁷³ Flavors work to
 9 attract youth. A survey of teenagers between the ages of thirteen to seventeen from 2014-2015 showed
 10 that this age group was six times more interested in trying e-cigarettes in fruity flavors than they were
 11 in trying e-cigarettes with only tobacco flavor.¹⁷⁴

12
 13
 14 155. Research confirms that flavored products—no matter what the tobacco product—appeal
 15 to youth and young adults. According to the *2012 Surgeon General Report*, “Much of the growing
 16 popularity of small cigars and smokeless tobacco is among younger adult consumers (aged <30 years)
 17
 18
 19
 20

21 ¹⁶⁹ *E-Cigarette Use Among Youth and Young Adults*, U.S. Dep’t of Health & Human Servs. (2016),
 22 <https://www.ctclearinghouse.org/Customer-Content/www/topics/2444-E-Cigarette-Use-Among-Youth-And-Young-Adults.pdf> (last visited Mar. 27, 2020).

23 ¹⁷⁰ Karl Paul, *Flavored Vapes Lure Teens Into Smoking and Nicotine Addiction, Study Shows*,
 24 MARKETWATCH (Feb. 26, 2019), <https://www.marketwatch.com/story/flavored-vapes-lure-teens-into-smoking-and-nicotine-addiction-study-shows-2019-02-25>.

25 ¹⁷¹ A.C. Villanti et al., *Flavored Tobacco Product Use in Youth and Adults: Findings From the First Wave of the PATH Study*, 53 AM. J. OF PREVENTATIVE MED. 139 (2017),
 26 <https://www.ncbi.nlm.nih.gov/pubmed/28318902>.

27 ¹⁷² See *E-Cigarette Use Among Youth and Young Adults*, *supra* note 169; Paul, *supra* note 170;
 28 Villanti, *supra* note 171.

¹⁷³ *Modifications to Compliance Policy for Certain Deemed Tobacco Products*, FDA (Mar. 2019),
<https://www.fda.gov/media/121384/download>.

¹⁷⁴ J.K. Pepper et al., *Adolescents’ interest in trying flavored e-cigarettes*, 25 TOBACCO CONTROL ii62
 (Sept. 15, 2016), https://tobaccocontrol.bmj.com/content/25/Suppl_2/ii62.

1 and appears to be linked to the marketing of flavored tobacco products that, like cigarettes, might be
2 expected to be attractive to youth.”¹⁷⁵

3 156. A national survey found that that 81% of youth aged twelve to seventeen who had ever
4 used e-cigarettes had used a flavored e-cigarette the first time they tried the product, and that 85.3% of
5 current youth e-cigarette users had used a flavored e-cigarette in the past month. Moreover, 81.5% of
6 current youth e-cigarette users said they used e-cigarettes “because they come in flavors I like.”¹⁷⁶

7 157. Adding flavors to e-liquids foreseeably increases the risk of nicotine addiction,
8 especially among minors, by making it easier and more pleasant to ingest nicotine.¹⁷⁷ Research has
9 shown that adolescents whose first tobacco product was flavored are more likely to continue using
10 tobacco products than those whose first product was not flavored.

11 158. In a recent study, 74% of youth surveyed indicated that their first use of a JUUL was of
12 a flavored JUUL pod.¹⁷⁸

13 159. Research shows that when youth see advertisements for flavored e-cigarettes, they
14 believe the advertisements and products are intended for them.¹⁷⁹

15
16
17
18 ¹⁷⁵ *Preventing Tobacco Use Among Youth and Adults, A Report of the Surgeon General* (“2012
19 *Surgeon General Report*”) at 539, U.S. Dep’t Health & Human Servs. (2012),
20 https://www.ncbi.nlm.nih.gov/books/NBK99237/pdf/Bookshelf_NBK99237.pdf.

21 ¹⁷⁶ See Bridget K. Ambrose et al., *Flavored Tobacco Product Use Among US Youth Aged 12-17 Years,*
22 *2013-2014*, 314 JAMA 1871 (2015). Another peer-reviewed study concluded that young adults who
23 use electronic cigarettes are more than four times as likely to begin using regular cigarettes as their
24 peers who have not used e-cigarettes. See Brian A. Primack, et al. *Initiation of Traditional Cigarette*
25 *Smoking after Electronic Cigarette Use Among Tobacco-Naïve US Young Adults*, 131 AM. J. MED.
26 443.e1 (2018).

27 ¹⁷⁷ See U.S. Dep’t of Health & Human Servs., *How Tobacco Smoke Causes Disease: The Biology and*
28 *Behavioral Basis for Smoking-Attributable Disease: A Report of the Surgeon General*, Chapter 4
(Centers for Disease Control and Prevention ed. 2010), <https://www.ncbi.nlm.nih.gov/books/NBK53018/#ch4.s92>.

29 ¹⁷⁸ Karma McKelvey et al., *Adolescents and Young Adults Use in Perceptions of Pod-based Electronic*
30 *Cigarettes*. 1 JAMA NETWORK OPEN e183535 (2018), <https://doi:10.1001/jamanetworkopen.2018.3535>.

31 ¹⁷⁹ D.C. Petrescu, et al., *What is the Impact of E-Cigarette Adverts on Children’s Perceptions of*
32 *Tobacco Smoking? An Experimental Study*, 26 TOBACCO CONTROL 421 (2016); Julia C. Chen-Sankey
33 et al., *Perceived Ease of Flavored E-Cigarette Use and E-Cigarette Use Progression Among Youth*
34 *Never Tobacco Users*, 14 PLOS ONE 1 (2019).

1 160. Flavors like mint and menthol are attractive to youth. According to Robin Koval, CEO
 2 and president of Truth Initiative, mint and menthol are among the most popular flavors for youth and
 3 that “[w]e also know, as does the tobacco industry, that menthol has been and continues to be the
 4 starter flavor of choice for young cigarette users.”¹⁸⁰ According to the FDA, “younger populations
 5 have the highest rate of smoking menthol cigarettes” and “menthol in cigarettes is likely associated
 6 with increased initiation and progression to regular [] cigarette smoking.”¹⁸¹

8 161. A significant majority of under-age users chose flavored e-cigarette products.¹⁸² By at
 9 least [REDACTED].¹⁸³
 10 Instead of taking corrective action or withdrawing the kid friendly flavors, JLI capitalized on their
 11 popularity with kids and continued to promote JUUL’s flavors. In a social media post from August
 12 2017, for example, JLI tweeted “Beat The August Heat with Cool Mint” and “Crisp peppermint flavor
 13 with a pleasant aftertaste.”¹⁸⁴ In another August 2017 tweet, JLI compared JUUL to dessert: “Do you
 14 brulée? RT [re-tweet] if you enjoy dessert without the spoon with our Creme Brulee #JUULpods.”¹⁸⁵
 15
 16
 17
 18
 19

20 ¹⁸⁰ *Id.*

21 ¹⁸¹ *Preliminary Scientific Evaluation of the Possible Public Health Effects of Menthol Versus*
 22 *Nonmenthol Cigarettes* at 5, FDA, <https://www.fda.gov/media/86497/download> (last visited Mar. 28,
 23 2020).

24 ¹⁸² Karen A. Cullen et al., *E-cigarette Use Among Youth in the United States*, 322 JAMA 2095 (2019),
 25 <https://tinyurl.com/y3g75gmg> (“Among current exclusive e-cigarette users, an estimated 72.2% . . .
 26 of high school students and 59.2% . . . of middle school students used flavored e-cigarettes. . .”).

27 ¹⁸³ See INREJLI 00265068 [REDACTED].

28 ¹⁸⁴ JUUL Labs, Inc. (@JUULvapor), Twitter (Aug. 4, 2017),
http://tobacco.stanford.edu/tobacco_web/images/pod/juul/twitter/large/twitter_39.jpg.

¹⁸⁵ Kathleen Chaykowski, *The Disturbing Focus of Juul’s Early Marketing Campaigns*, Forbes (Nov.
 16, 2018), <https://www.forbes.com/sites/kathleenchaykowski/2018/11/16/the-disturbing-focus-of-juuls-early-marketing-campaigns/#3dale11b14f9>.

JUUL @JUULvapor · 28 Aug 2017
Do you brûlée? RT if you enjoy dessert without the spoon with our Creme Brûlée
#JUULpods bit.ly/2wvDk38



162. JLI asserts that it did not intend its flavors to appeal to underage consumers. After eleven Senators sent a letter to JLI questioning its marketing approach and kid-friendly e-cigarette flavors, JLI visited Capitol Hill and told Senators that it never intended its products to appeal to kids and did not realize they were using the products, according to a staffer for Senator Richard Durbin.¹⁸⁶ JLI's statements to Congress—which parallel similar protests of innocence by cigarette company executives—were false.

163. A former JUUL manager, who spoke to The New York Times on the condition that his name not be used, said that within months of JUUL's 2015 introduction, it became evident that teenagers were either buying JUULs online or finding others who made the purchases for them. Some people bought more JUUL kits on the company's website than they could individually use—sometimes ten or more devices at a time. "First, they just knew it was being bought for resale," said the

¹⁸⁶ Lorraine Woellert & Sarah Oweremohle, *Juul Tries to Make Friends in Washington as Regulators Circle*, POLITICO (Dec. 28, 2018), <https://www.politico.com/story/2018/12/08/juul-lobbying-washington-1052219>.

1 former senior manager, who was briefed on the company's business strategy. "Then, when they saw
2 the social media, in fall and winter of 2015, they suspected it was teens."¹⁸⁷

3 164. By positioning JUUL pods as a flavor-oriented product rather than a system for
4 delivering a highly addictive drug, JLI deceptively led consumers to believe that JUUL pods were not
5 only healthy (or at least essentially harmless), but also a pleasure to be enjoyed regularly, without guilt
6 or adverse effect.
7

8 **b. Defendants Developed and Promoted the Mint Flavor and Sought to**
9 **Preserve its Market.**

10 165. While JLI and the Management Defendants were developing and marketing their
11 flavored products to appeal to and recruit youth customers, Altria, recognizing the value of those
12 young "replacement smokers" committed itself to the cause. With the shared goal to grow the number
13 of nicotine-addicted users, including youth in particular, and as detailed further herein, JLI, the
14 Management Defendants, and Altria set out to do whatever was necessary to create and preserve the
15 lucrative market for flavors. In order to maximize the value of its mint line of JUULpods, JLI, with the
16 support of the Management Defendants, chemically and socially engineered its mint pods to become
17 the most popular "flavor" among youth, including through extensive surveillance of youth behavior
18 and preferences, all while seeking to conceal mint's appeal to youth.
19

20 166. In July 2013, Reynolds American Inc.¹⁸⁸ released the Vuse, the first-known cartridge-
21 based nicotine salt e-cigarette to reach the domestic market.¹⁸⁹ Altria entered the nicotine salt market
22 one month later, with the MarkTen cig-a-like.¹⁹⁰ JLI would enter the market in June 2015.
23

24
25 ¹⁸⁷ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get 'Customers for Life'?*, N.Y. TIMES
(Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html>.

26 ¹⁸⁸ Reynolds is now a wholly owned subsidiary of British American Tobacco.

27 ¹⁸⁹ See FAQs, RJR Vapor Co., LLC, <http://www.vusevapor.com/faqs/product/> ("Since Vuse's launch
28 in 2013, all of our closed systems available for sale nationally (i.e., Vuse Solo, Vuse Ciro, Vuse Vibe,
and Vuse Alto) include nicotine salts.").

¹⁹⁰ Additional Info, Nu Mark LLC, <https://markten.com> ("certain varieties" of MarkTen Original
"contain ... acetic acid, benzoic acid, and lactic acid.").

167. Though mint was one of the least popular e-cigarette flavor categories with youth in 2015, trailing the fruit and dessert categories,¹⁹¹ Reynolds, Altria and JLI had all introduced mint-flavored products within a year of each company's initial release. By mid-2014, Reynolds had added "Mint, Rich Mint, Spearmint, [and] Wintergreen" to its Vuse lineup.¹⁹² By February 2015, Altria's NuMark LLC, under the leadership of Joe Murillo (JLI's current regulatory head), released a Winter Mint flavor for MarkTen.

168. Unlike Reynolds and Altria, which released mint products after first releasing a menthol variant, JLI skipped menthol and went straight to mint, adding Menthol in late 2017 around the same time it released its mango JUULpods.

169. JLI's flavored JUULpods were particularly popular with its underage users and, when mango was introduced, it was the underage user's flavor of choice.

170. JLI, the Management Defendants, and Altria recognized both the potential of using flavors to hook kids and the inevitability that the government would seek to regulate said flavors. So, they sought to solidify the market presence of a "substitute" youth-friendly flavor—mint—which might escape regulation and preserve JLI's astronomical sales figures.

(i) JLI Manipulates Chemistry of Mint JUUL Pods.

171. One recent study found that JLI's mango had the lowest free-base content, making it the least harsh formula; and that mint had the highest free-base content (30% more free-base than mango), making mint the formula with the strongest nicotine impact.¹⁹³

¹⁹¹ See M.B. Harrell et al., *Flavored e-cigarette use: Characterizing youth, young adult, and adult users*, 5 PREVENTIVE MEDICINE REPS. 33-40, § 3.3 (Mar. 2017), <https://www.sciencedirect.com/science/article/pii/S2211335516301346>.

¹⁹² See Sen. Richard Durbin, et al., *Gateway to Addiction?* (April 14, 2014), <https://www.durbin.senate.gov/imo/media/doc/Report%20-%20E-Cigarettes%20with%20Cover.pdf>.

¹⁹³ See Duell AK, et al. *Nicotine in tobacco product aerosols: "It's déjà vu all over Again,"* 5 TOBACCO CONTROL (Dec. 17, 2019), <https://tobaccocontrol.bmj.com/content/tobaccocontrol/early/2019/12/16/tobaccocontrol-2019-055275.full.pdf>.

Anna K. Duell et al., Nicotine in tobacco product aerosols: ‘It’s déjà vu all over again’

	C_{HA}/C_{NIC}	α_{th}
Benzoic acid		
JUUL ‘Cool Mint’ (5% nicotine)	0.97*	0.13
JUUL ‘Classic Menthol’ (5% nicotine)	0.98*	0.13
JUUL ‘Crème Brûlée’ (5% nicotine)	0.97*	0.12
JUUL ‘Fruit Medley’ (5% nicotine)	0.99*	0.12
JUUL ‘Cool Cucumber’ (5% nicotine)	1.00*	0.11
JUUL ‘Classic Tobacco’ (5% nicotine)	1.00*	0.11
JUUL ‘Virginia Tobacco’ (5% nicotine)	1.00*	0.11
JUUL ‘Mango’ (5% nicotine)	0.99*	0.09
JUUL ‘Virginia Tobacco’ (3% nicotine)	0.94*	0.14
JUUL ‘Mint’ (3% nicotine)	1.04*	0.11
Averages for JUUL	0.99±0.03 SD	0.12±0.01

172. These findings evidence JLI, the Management Defendants, and the Altria Defendants’ plan to make the flavor whose lifespan they were working hard to preserve the most potent when it got into the hands of nonsmokers, including youth.

(ii) JLI’s Youth Surveillance Programs Confirmed that Mint JUUL Pods are Preferred by Teens.

173. In January 2018, Kevin Burns, JLI’s new CEO, deployed his experience as the former CEO of a yogurt company to begin developing JUUL’s flavor portfolio.

174. One part of this initiative included studying reactions to flavor names. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]¹⁹⁴

175. In April 2018, JLI received a document request from the FDA on April 24, 2018, seeking information about the design and marketing of JLI’s products, among other things.¹⁹⁵

176. In response, JLI announced a commitment of \$30 million to youth prevention efforts and began sending JLI representatives to schools to present what were essentially advertising

¹⁹⁴ INREJUUL_00053172.

¹⁹⁵ Matthew Holman, U.S. Food & Drug Admin., to Ziad Rouag, Juul Labs, Inc., *Letter from Director of Office of Science, Center for Tobacco Products* (Apr. 24, 2018), <https://www.fda.gov/media/112339/download>.

1 campaigns for JUUL products. This conduct resulted in a Warning Letter from the FDA’s Center for
 2 Tobacco Products to JLI in September 2019.¹⁹⁶

3 177. [REDACTED]

4 [REDACTED] 197 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 178. [REDACTED]

11 [REDACTED] 198 [REDACTED]

12 [REDACTED] 199 [REDACTED]

13 179. [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED] 200 [REDACTED] 201 [REDACTED]

17 180. [REDACTED]

18 [REDACTED]

19 [REDACTED] 202 [REDACTED]

20 181. In other words, [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED] This is unsurprising, as the “Mint” flavor was designed not to taste like

24 ¹⁹⁶ Letter from U.S. Food & Drug Admin. to Kevin Burns, CEO of Juul Labs, Inc. (Sept. 9, 2019),
 25 <https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019>.

26 ¹⁹⁷ INREJUUL_00121627 [REDACTED]; INREJUUL_00124965 ([REDACTED]).

27 ¹⁹⁸ *Id.*

28 ¹⁹⁹ INREJUUL_00035325.

²⁰⁰ INREJUUL_00124965.

²⁰¹ *Id.*

²⁰² INREJUUL_00035325.

1 a Menthol cigarette. Users have described JLI's Menthol flavor as "tast[ing] like a [N]ewport"
 2 cigarette that "doesn't have that good peppermint taste like [C]ool [M]int."²⁰³

3 182. [REDACTED]

4 [REDACTED] According to Siddharth Breja, who was
 5 senior vice president for global finance at JLI, after JLI pulled most flavored pods, including mango,
 6 from the market in a purported attempt to reduce youth usage of JUUL, then-CEO Kevin Burns said
 7 that "[y]ou need to have an IQ of 5 to know that when customers don't find mango they buy mint."²⁰⁴

8 183. And it was public knowledge that mint and menthol have a well-documented history of
 9 facilitating youth tobacco use, as Dr. Jonathan Winickoff testified before Congress:
 10

11 [it is] completely false to suggest that mint is not an attractive flavor to children. From
 12 candy canes to toothpaste, children are introduced to mint flavor from a young age. Not
 13 only do children enjoy mint, but it has special properties that make it an especially
 14 dangerous flavor for tobacco. Menthol's anesthetic properties cool the throat, mask the
 15 harshness of nicotine, and make it easier for children to start using and continue using
 tobacco products. The impact of mint and menthol flavors on increasing youth tobacco
 addiction is well documented.²⁰⁵

16 184. [REDACTED]

17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]

23 ²⁰³ Reddit, *How does Classic Menthol compare to Cool Mint*,
 24 https://www.reddit.com/r/juul/comments/7wo39m/how_does_classic_menthol_compare_to_cool_mint/.

25 ²⁰⁴ Sheila Kaplan and Jan Hoffman, *Juul Knowingly Sold Tainted Nicotine Pods, Former Executive Say*, N.Y. TIMES (Nov. 20, 2019), <https://www.nytimes.com/2019/10/30/health/juul-pods-contaminated.html>.

26 ²⁰⁵ *Examining Juul's Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. 3 (2019) (statement of Jonathan P. Winickoff, American Academy of Pediatrics),
 27 <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/2019.07.24%20Winickoff%20AAP%20Testimony.pdf>.
 28

185. With that knowledge and with no genuine interest in youth prevention, and as detailed below, JLI, the Management Defendants, and Altria committed to work to preserve mint as a flavor for as long as possible. Indeed, to further this goal, Defendants Pritzker and Valani poured additional money into JLI a mere two months later as part of a \$600 million funding round.²⁰⁶

186. By keeping mint on the market long after other flavors were pulled, these Defendants continued to expand the number of addicted e-cigarette users, including youth in particular.

D. Defendants Developed and Implemented a Marketing Scheme to Mislead the Public, Including Youth, into Believing that JUUL Products Contained Less Nicotine Than They Actually Do and Were Healthy and Safe.

187. Having created a product designed to hook users to its nicotine, JLI had to mislead consumers, including youth in particular, into believing JUUL was something other than what it actually was. So, the company engaged in a years' long campaign to downplay JUUL's nicotine content, nicotine delivery, and the unprecedented risks of abuse and addiction JUUL poses. Defendants devised and knowingly carried out a material scheme to defraud and addict consumers, including youth in particular, by (a) misrepresenting the nicotine content, nicotine delivery profile, and risks of JUUL products, (b) representing to the public that JUUL was a smoking cessation tool, and (c) using third-party-groups to spread false and misleading narratives about e-cigarettes, and JUUL in particular.

1. The Defendants Knowingly Made False and Misleading Statements and Omissions Concerning JUUL's Nicotine Content.

188. As part of their strategy to market to youth and nonsmokers, JLI and the Management Defendants also did not effectively inform users that JUUL products contain nicotine. [REDACTED]

[REDACTED] JLI did not include nicotine warnings until forced to do so in August 2018.²⁰⁷

²⁰⁶ Alex Wilhelm & Jason D. Rowley, *JUUL Raises \$650M Of Its \$1.25B Mega-Round*, CRUNCHBASE (Jul. 10, 2018), <https://news.crunchbase.com/news/juul-raises-650m-of-its-1-25b-mega-round/>.

²⁰⁷ See INREJUUL 00444332 ([REDACTED])

, see e.g.,

189. Moreover, many of JUUL's advertisements, particularly prior to November 2017, also did not mention that JUUL contained nicotine. In the first year after JUUL's launch, not one of JLI's 171 promotional emails said anything about the nicotine content in JUUL products.²⁰⁸ For example, in a July 11, 2015 email, JLI advertised its promotional events with the text, "Music, Art, & JUUL. What could be better? Stop by and be gifted a free starter kit."²⁰⁹ This email did not mention that JUULpods contain nicotine, nor did it say that JUUL or the free starter kits were intended for adults only.

190. Similarly, none of JLI's 2,691 tweets between June 2015 and October 6, 2017 mentioned that JUUL contained nicotine.²¹⁰ For example:

- a. On August 7, 2015, JLI tweeted, "Need tix for @cinespia 8/15? We got you. Follow us and tweet #JUULallnight and our faves will get a pair of tix!"²¹¹ This tweet did not mention that JUUL contained nicotine.
- b. On July 28, 2017, JLI tweeted an image of a Mango JUULpod next to mangos captioned "#ICYMI: Mango is now in Auto-ship! Get the #JUULpod flavor you love delivered & save 15%. Sign up today."²¹² This tweet did not mention that JUUL contained nicotine.
- c. On August 4, 2017, JLI tweeted "Beat The August Heat with Cool Mint" and "Crisp peppermint flavor with a pleasant aftertaste," captioned "A new month means you can stock up on as many as 15 #JUULpod packs. Shop now."²¹³ This tweet did not mention that JUUL contained nicotine.

INREJUUL 00021583-586 at 583

²⁰⁸ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising 25 (Jan. 31, 2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

²⁰⁹ *Check out our JUUL events this Summer*, JUUL (hello@juulvapor.com) (July 11, 2015), http://tobacco.stanford.edu/tobacco_web/images/pod/juul/email/large/email_2.jpg.

²¹⁰ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising 25 (Jan. 31, 2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

²¹¹ JUUL Labs, Inc. (@JUULvapor), Twitter (Aug. 7, 2015), http://tobacco.stanford.edu/tobacco_web/images/pod/juul/twitter/large/twitter_18.jpg.

²¹² JUUL Labs, Inc. (@JUULvapor), Twitter (July 28, 2017), http://tobacco.stanford.edu/tobacco_web/images/pod/juul/twitter/large/twitter_38.jpg.

²¹³ JUUL Labs, Inc. (@JUULvapor), Twitter (Aug. 4, 2017), http://tobacco.stanford.edu/tobacco_web/images/pod/juul/twitter/large/twitter_39.jpg.

d. On August 28, 2017, JLI tweeted “Do you brulée? RT [re-tweet] if you enjoy dessert without the spoon with our Creme Brulee #JUULpods.”²¹⁴ This tweet did not mention that JUUL contained nicotine.

191. Even after Defendants added a nicotine warning to JUUL products, they continued to mislead youth and the public about the amount of nicotine in a JUULpod. Every 5% strength JUUL pod package represents that one pod is equivalent to one pack of cigarettes. This statement is deceptive, false and misleading. [REDACTED]

192. In addition, and as JLI and the Management Defendants know, it is not just the amount of nicotine, but the efficiency with which the product delivers nicotine into the bloodstream, that determines the product’s narcotic effect, risk of addiction, and therapeutic use. Most domestic cigarettes contain 10–15 mg of nicotine per cigarette²¹⁶ and each cigarette yields between 1.0 to 1.4 mg of nicotine,²¹⁷ meaning that around 10% of the nicotine in a cigarette is typically delivered to the user. JUUL e-cigarettes, on the other hand, have been found to deliver at least 82% of the nicotine contained in a JUUL pod to the user.²¹⁸ [REDACTED]

[REDACTED]²¹⁹.

²¹⁴ Kathleen Chaykowski, *The Disturbing Focus of Juul’s Early Marketing Campaigns*, Forbes (Nov. 16, 2018), <https://www.forbes.com/sites/kathleenchaykowski/2018/11/16/the-disturbing-focus-of-juuls-early-marketing-campaigns/#3da1e11b14f9>.

²¹⁵ INREJUUL_00279931.

²¹⁶ Neal L Benowitz & Jack E Henningfield, *Reducing the nicotine content to make cigarettes less addictive*, 22 TOBACCO CONTROL Supp. 1, i14-17 (2013), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3632983/>.

²¹⁷ Lynn T. Kozlowski & Janine L. Pilliteri, *Compensation for Nicotine by Smokers of Lower Yield Cigarettes*, 7 SMOKING AND TOBACCO CONTROL MONOGRAPH 161, 164 (1983), https://cancercontrol.cancer.gov/brp/tcrb/monographs/7/m7_12.pdf.

²¹⁸ Samantha M. Reilly et al., *Free Radical, Carbonyl, and Nicotine Levels Produced by JUUL Electronic Cigarettes*, 21 NICOTINE TOBACCO RESEARCH 1274 (2019), <https://www.ncbi.nlm.nih.gov/pubmed/30346584> (about 82%, for averages of 164 µg per puff).

²¹⁹ See, e.g., INREJUUL_00023597 [REDACTED].

1 195. [REDACTED]

2 [REDACTED]

3 [REDACTED]²²⁵

4 196. [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]²²⁶

10 197. [REDACTED]

11 [REDACTED]²²⁷ [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 198. JLI and the Management Defendants knew that [REDACTED]

15 [REDACTED]

16 [REDACTED] to market

17 JUUL as providing a nicotine experience on par with a cigarette, even though they designed JUUL to

18 ensure that was not true. In reality, there were never any measured test results in accord with JLI's

19 marketing to distributors, retailers, and the public at large.

20 199. In the United States, the unsupported extrapolations from what [REDACTED]

21 [REDACTED] were used to create charts, which JLI posted on its website, shared with journalists, sent to

22 retailers, and distributed to third party promoters, showing that JUUL's 5% solution achieved a pk

23

24

25

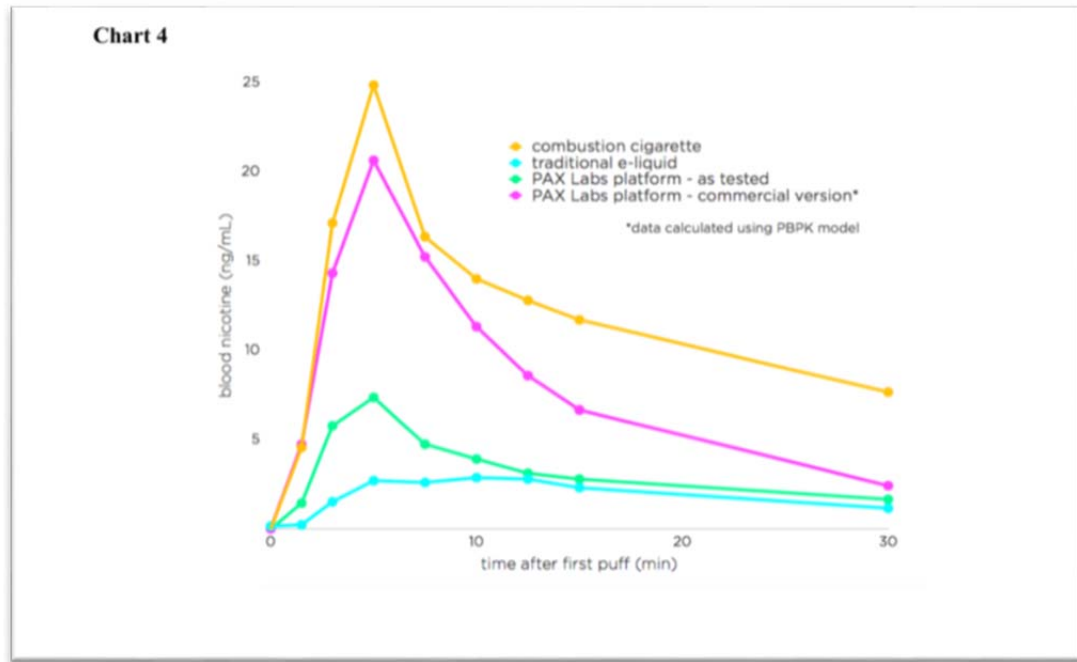
26

27 ²²⁵ *Id.*

28 ²²⁶ INREJUUL_00351717-INREJUUL_00351719.

²²⁷ *Id.*

profile just below that of a cigarette. For example, the following chart appeared on the online publication TechCrunch:²²⁸



200. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ²²⁹ [REDACTED] ²³⁰ [REDACTED]

²²⁸ Ryan Lawler, *Vaporization Startup Pax Labs Introduces Juul, Its Next-Gen-E-Cigarette*, TECH CRUNCH (Apr. 21, 2015), <https://techcrunch.com/2015/04/21/pax-juul/>.

²²⁹ See JLI00363360.

²³⁰ INREJUUL_00448896.

1 [REDACTED]
 2 [REDACTED]
 3 [REDACTED]
 4 [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]
 10 [REDACTED]
 11 [REDACTED]
 12 201. These misrepresentations to the public were not accidental, nor were they the work of a
 13 rogue employee. [REDACTED]
 14 [REDACTED]
 15 [REDACTED]
 16 [REDACTED] 231 [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED] Thus, Defendants Bowen, Monsees, Pritzker,
 20 and Valani were privy to both [REDACTED]. And they *knew* that the data JLI (then
 21 Ploom) was pushing on the public was false and misleading, but none made any efforts to correct or
 22 withdraw those false and misleading statements. Aside from submitting the testing protocol and [REDACTED]
 23 [REDACTED] with the '895 patent, JLI, Bowen, Monsees, Pritzker, and Valani otherwise
 24 ignored the [REDACTED] and omitted it from public discussion of JUUL's nicotine delivery.
 25
 26
 27
 28

²³¹ INREJUUL_00016443-INREJUUL_00016507.

2. JLI, the Management Defendants, and Altria Transmitted, Promoted and Utilized Statements Concerning JUUL’s Nicotine Content that They Knew Were False and Misleading.

202. As set forth above, the statements in JLI advertisements and on JUUL pod packaging that each JUUL pod contains about as much nicotine as a pack of cigarettes are deceptive, false and misleading. Defendants knew this.

203. JLI and the Management Defendants caused deceptive, false and misleading statements that a JUUL pod had an equivalent amount of nicotine as one pack of cigarettes to be distributed via the wires and mails. These Defendants have thus materially misrepresented the nicotine content of JUUL products to the consuming public including Plaintiffs, through acts of mail and wire fraud.

204. By no later than October 30, 2016 (and likely earlier), the JLI Website—which, as discussed above, the Management Defendants on JLI’s Board of Directors reviewed and approved—advertised that “[e]ach JUULpod contains 0.7mL with 5% nicotine by weight, approximately equivalent to 1 pack of cigarettes or 200 puffs.”²³² The language on the website would later change, but still maintained the same fraudulent misrepresentation—i.e., that “[e]ach 5% JUULpod is roughly equivalent to one pack of cigarettes in nicotine delivery.”²³³

205. As noted above, JLI and the Management Defendants directed and approved the content of the JUUL website, and they also directed and approved the distribution channels for JUUL pods and deceptive, misleading and fraudulent statements regarding JUUL’s nicotine content. And although they knew that these statements, which they caused to be transmitted over the wires and mails, were untrue, JLI and the Management Defendants have made no effort to retract such statements or correct their lies.

²³² JUULpod, JUUL Labs, Inc. (Oct. 30, 2016), <https://web.archive.org/web/20161030085646/https://www.juulvapor.com/shop-pods/>.

²³³ What is Vaping?, JUUL Labs, Inc. (July 2, 2019), <https://www.JUUL.com/resources/What-is-Vaping-How-to-Vape>.

206. In addition to approving the JLI website, knowing that it contained deceptive, misleading and false statements, JLI (through its employees) and the Management Defendants also were directly responsible for the interstate transport, *via* U.S. mail, of JUULpod packaging contained misrepresentations and omissions. [REDACTED]

207. JUUL pod packages that were sent *via* U.S. mail stated that a single JUUL pod is “approximately equivalent to about 1 pack of cigarettes.”²³⁵ These statements, as well as the statements on the JLI website, are false and misleading.

208. The statement on the JLI website, and in its advertisements and packaging, that each JUUL pod contains 5% nicotine and is approximately equivalent to a pack of cigarettes is false and likely to deceive and mislead, because the actual amount of nicotine contained in a JUUL pod is as much as twice as high as that in a pack of cigarettes.

209. The Altria Defendants greatly expanded the reach of this fraud by providing their retail and distribution might for JLI products, causing millions of JUUL pods to be sent via U.S. mail with packaging stating that JUUL pods contain only 5% nicotine by weight and are “approximately equivalent to about 1 pack of cigarettes.”²³⁶ JLI, the Management Defendants, and the Altria Defendants knew that these statements were false and misleading, but nevertheless utilized JUUL product packing, marketing and advertising to maintain their fraud.

210. The Altria Defendants knew in 2017 that a JUUL pod delivered more nicotine than one pack of cigarettes. In 2017, the Altria Defendants launched its MarkTen Bold e-cigarette, a relatively high-strength 4% formulation compared to the 2.5% and 3.5% strength MarkTen products initially

²³⁴ INREJUUL_00278408.

²³⁵ Juul Labs, Inc., Twitter, (Feb. 14, 2018), <https://twitter.com/JUULvapor/status/963844069519773698>.

²³⁶ *Id.*

offered. Even though JUUL was already on store shelves and was rapidly gaining market share with its 5% nicotine formulation, the Altria Defendants chose to bring a less potent 4% formulation to market.

211. According to the Altria Defendants own pharmacokinetic testing as reflected in the chart below, this 4% less potent formulation was nevertheless sufficient to raise plasma nicotine to levels approaching those generated by combustible cigarettes. In other words, the Altria Defendants' own pharmacokinetic testing suggested the highly addictive nature of a 5% formulation, as such a formulation would readily equal or exceed the nicotine delivery profile of a combustible cigarette.

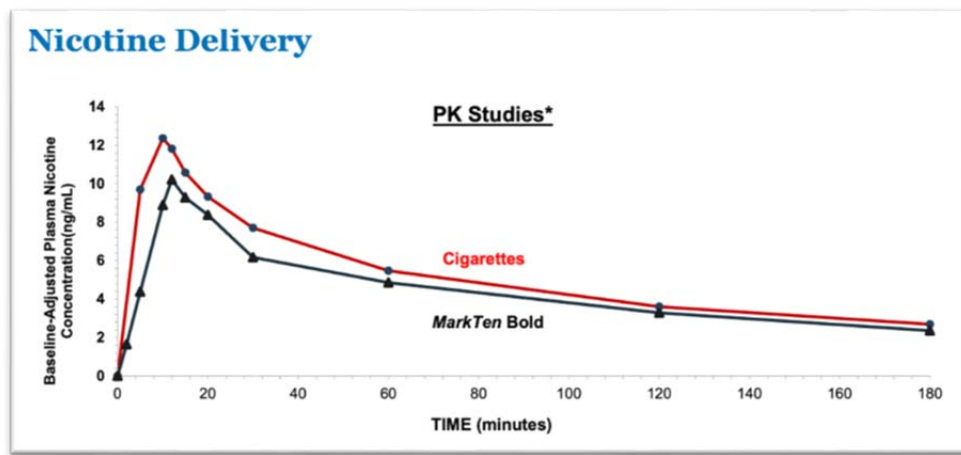


Figure 2: Presented at Altria Group Inc.'s November 1, 2017 Investor Day Presentation. MarkTen Bold 4%

212. Based on its own internal knowledge, the Altria Defendants knew that a 5% nicotine formulation would carry more nicotine than one pack of cigarettes. In addition to data they received from JLI, the Altria Defendants' due diligence undoubtedly included a careful examination of JLI's intellectual property, including the '895 patent, which provides a detailed overview of nicotine benzoate's pharmacokinetic profile.

213. Thus, JLI, the Management Defendants, and the Altria Defendants knew that the statement on JUUL pod packaging that each JUUL pod contains 5% nicotine and about as much nicotine as a pack of cigarettes is literally false and they intended such statements to mislead users, including youth. Neither the Altria Defendants nor JLI or the Management Defendants have made any

1 effort to correct or retract the false and misleading statements as to the true nicotine content in JUUL
 2 pods. Instead, they have continued to misrepresent the product's nicotine content and design, with the
 3 goal of misleading and deceiving consumers.

4 214. From JUUL's pre-release announcements to this day, JLI has continuously represented
 5 that each pod is approximately equivalent to a pack of cigarettes. These claims, which JLI repeats
 6 widely in advertisements, press releases, and its website, have been distributed *via* the wires and mails
 7 and disseminated by reputable and widely reliable sources that accepted those representations as
 8 true.²³⁷

10 215. Moreover, the form of nicotine JUUL pods contain is particularly potent. JUUL's use of
 11 "strength" to indicate concentration by weight is also at odds with the industry standard of reporting
 12 concentration by volume,²³⁸ leading users to believe it contains less nicotine than other formulations
 13 advertised as 6% nicotine, when JUUL pods in fact contain approximately the same nicotine as a
 14 solution that is 6% nicotine by volume.

16 216. The "5% strength" statement in Defendants' advertisements misrepresents the most
 17 material feature of the JUUL product—the nicotine content—and has misled young people to their
 18 detriment. Resellers, apparently assuming that "5% strength" means "50mg/ml" nicotine by volume,

19 ²³⁷ See Truth Initiative, *6 Important Facts about Juul*, [https://truthinitiative.org/research-](https://truthinitiative.org/research-resources/emerging-tobacco-products/6-important-facts-about-juul)
 20 [resources/emerging-tobacco-products/6-important-facts-about-juul](https://truthinitiative.org/research-resources/emerging-tobacco-products/6-important-facts-about-juul); Erin Brodwin, *An e-cigarette*
 21 *with twice the nicotine of comparable devices is taking over High Schools – and scientists are*
 22 *sounding the alarm*, BUSINESS INSIDER (Apr. 30, 2018), [https://www.businessinsider.com/juul-e-cig-](https://www.businessinsider.com/juul-e-cig-vaping-health-effects-2018-3)
 23 [vaping-health-effects-2018-3](https://www.businessinsider.com/juul-e-cig-vaping-health-effects-2018-3); Caroline Kee, *Everything you need to know about the JUUL, including*
 24 *the health effects*, BUZZFEED NEWS (Feb. 5, 2018),
 25 <https://www.buzzfeednews.com/article/carolinekee/juul-ecigarette-vape-health-effects>; Jan Hoffman,
 26 *The Price of Cool: A teenager, a juul and nicotine addiction*, NEW YORK TIMES, (November 16,
 27 2018), <https://www.nytimes.com/2018/11/16/health/vaping-juul-teens-addiction-nicotine.html>; Sarah
 28 Milov, *Like the tobacco industry, e-cigarette manufacturers are targeting children*, THE
 WASHINGTON POST, (Sept. 23, 2018) [https://www.washingtonpost.com/outlook/2018/09/23/like-](https://www.washingtonpost.com/outlook/2018/09/23/like-tobacco-industry-e-cigarette-manufacturers-are-targeting-children/)
 tobacco-industry-e-cigarette-manufacturers-are-targeting-children/; Washington State Dep't of
 Health, *What are vapor products?*,
<https://www.doh.wa.gov/YouandYourFamily/Tobacco/VaporProducts>.

²³⁸ See, e.g., American E-Liquids Manufacturing Standards Association, *E-Liquids Manufacturing Standards*, § 1.05 (2017), [https://www.aemsa.org/wp-content/uploads/2017/03/AEMSA-Standards-](https://www.aemsa.org/wp-content/uploads/2017/03/AEMSA-Standards-v2.3.3.pdf)
 v2.3.3.pdf, (quantifying e-liquid nicotine content in terms of volume).

1 compound confusion among young people by stating that JUUL pods contain “50 mg/ml,” which they
2 do not.²³⁹

3 217. If JLI and the Management Defendants did not know when JLI released JUUL pods that
4 the “5% strength” representation in Defendants’ advertisements was misleading, they learned that there
5 was widespread confusion about the JUUL pods’ nicotine content. By 2017, studies revealed that users
6 did not understand “5% strength,” and some understood that phrase to mean 5% of a cigarette. [REDACTED]

8 [REDACTED],²⁴⁰ JLI and the Management Defendants (and later
9 the Altria Defendants) did nothing to stop or correct this confusion about the nicotine content.

10 218. The “5% strength” statement in Defendants’ advertisements is also misleading. At least
11 two independent studies testing multiple varieties of JUUL pods have likewise found significantly
12 higher concentrations of nicotine than the 59 mg/mL JUUL’s website represents, suggesting that the
13 difference in the total nicotine content of a JUUL pod vs. a pack of combustible cigarettes could be
14 even greater.²⁴¹

16 3. Defendants Used Food and Coffee Themes to Give the False Impression that JUUL 17 Products Were Safe and Healthy.

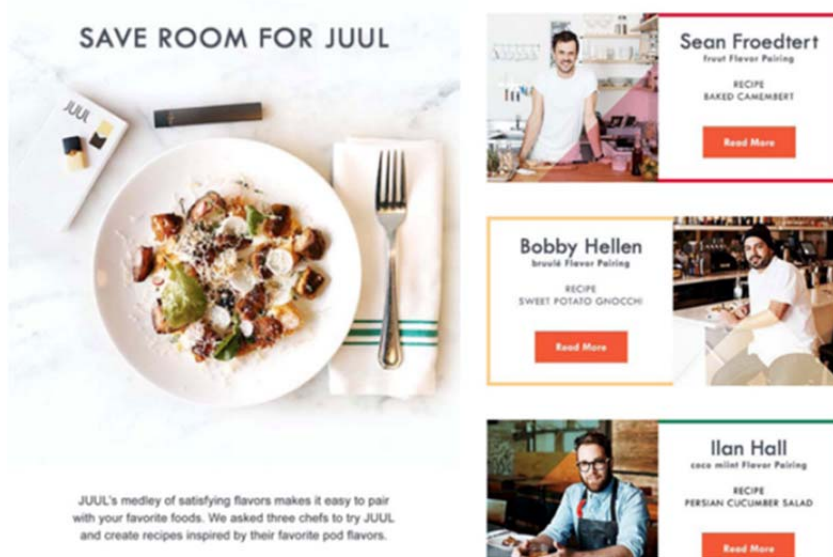
18 219. In late 2015, JLI and the Management Defendants employed a deceptive marketing
19 scheme to downplay the harms of e-cigarettes with a food-based advertising campaign called “Save

20 ²³⁹ See, e.g. Tracy Vapors, Starter Kit,
21 <http://web.archive.org/web/20190422143424/https://www.tracyvapors.com/collections/starter-kit>;
22 Lindsey Fox, *JUUL Vapor Review, E-cigarette Reviewed*, (Mar. 20, 2017),
23 <https://ecigaretterevuewed.com/juul-review> (“The nicotine content of the JUUL pods is always the
24 same: 5% or 50 mg/ml”); Jason Artman, *JUUL E-Cigarette Review*, eCig One (Oct. 26, 2016)
25 <https://ecigone.com/e-cigarette-reviews/juul-e-cigarette-review/> (“the e-liquid contains 50 mg of
26 nicotine per ml of e-liquid”); West Coast Vape Supply, Juul Starter Kit (July 18, 2019),
27 [http://web.archive.org/web/20190718190102/https://westcoastvapesupply.com/products/juul-starter-](http://web.archive.org/web/20190718190102/https://westcoastvapesupply.com/products/juul-starter-kit)
28 [kit](http://web.archive.org/web/20190718190102/https://westcoastvapesupply.com/products/juul-starter-kit) (“5% . . . 50 mg”); Vapor4Life, *How Much Nicotine is In a JUUL?* (Aug. 24, 2018),
<https://www.vapor4life.com/blog/how-much-nicotine-is-in-a-JUUL/> (“Each official JUUL pod
contains a whopping 50mg of nicotine per milliliter of liquid (most other devices range from 3 to
30mg per milliliter.”).

²⁴⁰ INREJUUL_00123540.

²⁴¹ See J.F. Pankow et al., *Benzene formation in electronic cigarettes*, 12 PLoS ONE 1 (2017); see also
Anna K. Duell, et al., *Free-Base Nicotine Determination in Electronic Cigarette Liquids by 1H NMR
Spectroscopy*, 31 CHEM. RES. TOXICOL. 431, 431-34 (2018).

Room for JUUL.” The campaign framed JUUL’s addictive pods as “flavors” to be paired with foods.²⁴² JLI described its Crème Brûlée nicotine pods as “the perfect evening treat” that would allow users to “indulge in dessert without the spoon.”²⁴³ In one 2016 email, JLI bluntly suggested that users satisfy their sugar cravings with JUUL’s highly-addictive nicotine vapor: “Have a sweet tooth? Try Brulee.”²⁴⁴ JLI similarly promoted the fruit medley pods using images of ripe berries.²⁴⁵ JLI described its “Cool” Mint pods as having a “crisp peppermint taste with a pleasant aftertaste” and encouraged consumers to “Beat The August Heat With Cool Mint.”²⁴⁶



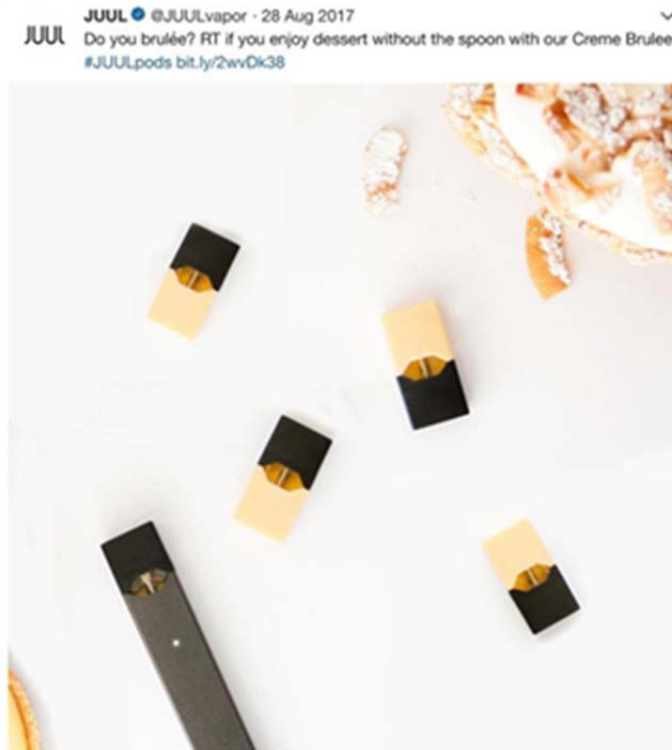
²⁴² Erin Brodwin, *\$15 billion startup JUUL used ‘relaxation, freedom, and sex appeal’ to market its crème-brûlée-flavored e-cigs on Twitter and Instagram—but its success has come at a big cost*, BUSINESS INSIDER (Oct. 26, 2018), <https://www.businessinsider.com/juul-e-cig-marketing-youtube-twitter-instagram-social-media-advertising-study-2018-10>.

²⁴³ Stanford University, *Research into the Impact of Tobacco Advertising*, http://tobacco.stanford.edu/tobacco_web/images/pod/juul/flavors/large/flavor_3.jpg.

²⁴⁴ Stanford University, *Research into the Impact of Tobacco Advertising*, http://tobacco.stanford.edu/tobacco_web/images/pod/juul/flavors/large/flavor_34.jpg.

²⁴⁵ Stanford University, *Research into the Impact of Tobacco Advertising*, http://tobacco.stanford.edu/tobacco_web/images/pod/juul/flavors/large/flavor_6.jpg.

²⁴⁶ Stanford University, *Research into the Impact of Tobacco Advertising*, http://tobacco.stanford.edu/tobacco_web/images/pod/juul/flavors/large/flavor_15.jpg.

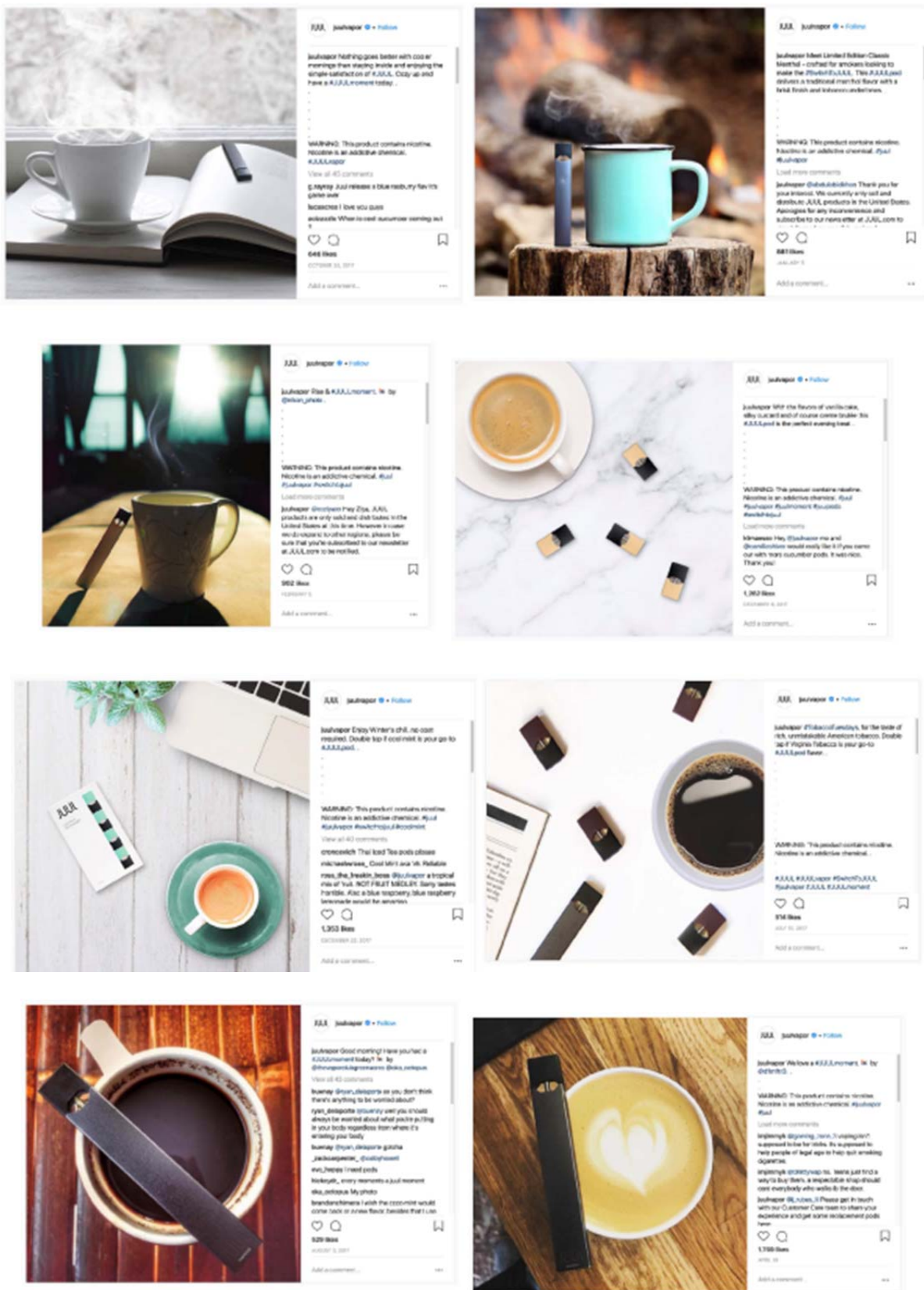


220. Again, none of these advertisements disclosed that JUUL was addictive and unsafe.

221. In several caffeine-pairing advertisements, JUUL devices or pods sit next to coffee and other caffeinated drinks, sometimes with what appear to be textbooks in the picture.²⁴⁷ JLI's coffee-based advertisements suggest that JUUL should be part of a comfortable routine, like a cup of coffee.

222. JLI's reference to coffee is no mere marketing gimmick, it reflects the larger effort to mislead customers, including young people in particular, into believing that JUUL is no more harmful than coffee, reinforcing the false and dangerous concept that if a substance is "not harmful," then addiction to that substance cannot be harmful.

²⁴⁷ Stanford University, *Research into the Impact of Tobacco Advertising*, http://tobacco.stanford.edu/tobacco_main/images_pods.php?token2=fm_pods_st659.php&token1=fm_pods_img36083.php&theme_file=fm_pods_mt068.php&theme_name=JUUL&subtheme_name=Instagram.





223. Defendants knew that tying JUUL to caffeine and food would mislead their target audience—youth and non-smokers—into believing that JUUL was a healthy, safe treat.

4. JLI’s “Make the Switch” Campaign Intentionally Misled and Deceived Users to Believe that JUUL Is a Cessation Device.

224. JLI, the Altria Defendants, and the Management Defendants recognized that one of the keys to growing and preserving the number of nicotine-addicted e-cigarette users (and thus JLI’s staggering market share), was to mislead potential customers about the true nature of JUUL products. Defendants knew that if it became public that JUUL was designed as a way to introduce nicotine to youth and otherwise hook new users with its potent nicotine content and delivery, it would not survive the public and regulatory backlash. Therefore, JLI (with the knowledge and support of the Management Defendants) and the Altria Defendants repeatedly made false and misleading statements to the public that JUUL was created and designed as a smoking cessation device, and falsely and misleadingly used the mails and wires to spread the subterfuge. JLI, the Management Defendants, and the Altria Defendants committed these deceptive, misleading and fraudulent acts intentionally and knowingly. In making these representations, JLI, the Management Defendants, and the Altria Defendants intended that consumers, the public, and regulators rely on misrepresentations that JUUL products were designed to assist smoking cessation.

225. The most blatant evidence of the cover-up scheme was the January 2019, \$10 million “*Make the Switch*” television advertising campaign. This campaign, which was a continuation of JLI’s

1 web-based Switch campaign, was announced less than a month after the Altria Defendants announced
2 Altria's investment in JLI.

3 226. The "*Make the Switch*" television ads featured former smokers aged 37 to 54 discussing
4 "how JUUL helped them quit smoking."²⁴⁸ According to JLI's Vice President of Marketing, the "*Make*
5 *the Switch*" campaign was "an honest, straight down the middle of the fairway, very clear
6 communication about what we're trying to do as a company."²⁴⁹

7
8 227. These statements were false as JUUL was not intended to be a smoking cessation
9 device.

10 228. JLI and the Management Defendants committed acts of wire fraud when they caused
11 the "Make the Switch" campaign to air on television with the fraudulent intent of deceiving and
12 misleading the public, the United States Congress, and government regulators into believing that JLI is
13 and had been focused solely on targeting adult smokers. The Altria Defendants also committed acts of
14 mail fraud when they caused tens of thousands, if not millions, of written versions of the *Make the*
15 *Switch* campaign to be distributed with packages of Altria's combustible cigarettes.

16
17 229. The "*Make the Switch*" campaign was fraudulent and was made to protect, maintain,
18 and expand the tremendous market share gained by hooking kids on nicotine by convincing regulators
19 and the public that JUUL was only ever intended as an alternative to smoking for existing adult
20 smokers and JLI's marketing was never aimed at youth.

21
22 230. Defendants continually sought to frame JUUL products as smoking cessation devices in
23 their public statements and on their website. Defendant Monsees explained during his testimony before
24 Congress:

25
26
27 ²⁴⁸ Angelica LaVito, *JLI combats criticism with new TV ad campaign featuring adult smokers who quit*
28 *after switching to e-cigarettes*, CNBC (Jan. 8, 2019), <https://www.cnbc.com/2019/01/07/juul-highlights-smokers-switching-to-e-cigarettes-in-ad-campaign.html>.

²⁴⁹ *Id.*

The history of cessations products have extremely low efficacy. That is the problem we are trying to solve here. So, if we can give consumers an alternative and market it right next to other cigarettes, then we can actually make something work.

[T]raditional nicotine replacement therapies, which are generally regarded as the gold standard for tools, right, for quitting, those are nicotine in a patch or a gum form, typically, and the efficacy rates on those hover just below about a 10 percent or so. JUUL—we ran a very large study of JUUL consumers, ex-smokers who had picked up JUUL, and looked at them, looked at their usage on a longitudinal basis, which is usually the way that we want to look at this, in a sophisticated fashion ... what we found was that after 90 days, 54 percent of those smokers had stopped smoking completely, for a minimum of 30 days already. And the most interesting part of this study is that if you follow it out further, to 180 days, that number continues to go up dramatically, and that is quite the opposite of what happens with traditional nicotine replacement therapies.²⁵⁰

231. In response to a direct question about whether people buy JUUL to stop smoking, Defendant Monsees responded: “Yes. I would say nearly everyone uses our product as an alternative to traditional tobacco products.”²⁵¹

232. Other illustrative and non-exhaustive examples include the following:

*Statements by Defendant JLI:*²⁵²

- “JUUL Labs was founded by former smokers, James and Adam, with the goal of improving the lives of the world’s one billion adult smokers by **eliminating cigarettes**. We envision a world where fewer adults use cigarettes, and **where adults who smoke cigarettes have the tools to reduce or eliminate their consumption entirely**, should they so desire.” (JLI Website, April 2018 (or earlier));²⁵³
- “JUUL Labs, which exists to **help adult smokers switch** off of combustible cigarettes.” (JLI Website, September 19, 2019);²⁵⁴ and,

²⁵⁰ *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of James Monsees, Co-Founder, JUUL Labs, Inc.), <https://oversight.house.gov/legislation/hearings/examining-juul-s-role-in-the-youth-nicotine-epidemic-part-ii>.

²⁵¹ *Id.*

²⁵² Although these statements are attributed to Defendant JLI, JLI’s Board of Directors had [REDACTED], accordingly, Defendants Bowen, Monsees, Pritzker, Huh, and Valani are each directly responsible for the transmission of these fraudulent statements.

²⁵³ *Our Mission*, JUUL Labs, Inc. (2019), <https://www.juul.com/mission-values>.

²⁵⁴ CONSUMER UPDATE: 9/19, JUUL Labs, Inc. (Sept. 19, 2019), <https://newsroom.juul.com/consumer-update-9-19/>.

- “To paraphrase Commissioner Gottlieb, **we want to be the offramp for adult smokers** to switch from cigarettes, not an on-ramp for America’s youth to initiate on nicotine.” (JLI Website, November 13, 2018).²⁵⁵

Statements by the Altria Defendants:

- “We are taking significant action to prepare for a future where adult smokers overwhelmingly choose non-combustible products over cigarettes by investing \$12.8 billion in JUUL, **a world leader in switching adult smokers** We have long said that providing adult smokers with superior, satisfying products with the potential to reduce harm is the best way to achieve tobacco harm reduction.” (Altria Website, December 20, 2018);²⁵⁶
- “We believe e-vapor products present an **important opportunity to adult smokers to switch from combustible cigarettes.**” (Letter to FDA Commissioner Gottlieb, 10/25/18);²⁵⁷
- “We have long said that **providing adult smokers with superior, satisfying products with the potential to reduce harm** is the best way to achieve tobacco harm reduction. **Through Juul**, we are making the biggest investment in our history toward that goal.” (Altria Press Release, Dec. 20, 2018);²⁵⁸
- “Through JUUL, we have found a unique opportunity to not only participate meaningfully in the e-vapor category but to also **support and even accelerate transition to noncombustible alternative products by adult smokers.**” (Altria Earning Call, January 31, 2019);²⁵⁹ and,
- We expect the **JUUL product features that have driven JUUL’s success in switching adult smokers in the U.S.** to strongly appeal to international adult cigarette smokers. (Altria Earning Call, January 31, 2019).²⁶⁰

²⁵⁵ JLI Labs Action Plan, JUUL Labs, Inc. (Nov. 13, 2018), <https://newsroom.juul.com/juul-labs-action-plan/> (statement of then-CEO Kevin Burns).

²⁵⁶ *Altria Makes \$12.8 Billion Minority Investment in JUUL to Accelerate Harm Reduction and Drive Growth*, BUSINESSWIRE (Dec. 20, 2018), <https://www.businesswire.com/news/home/20181220005318/en/Altria-12.8-Billion-Minority-Investment-JUUL-Accelerate>

²⁵⁷ Letter from Howard A. Willard III, Altria, to Dr. Scott Gottlieb, FDA, at 2 (Oct. 25, 2018).

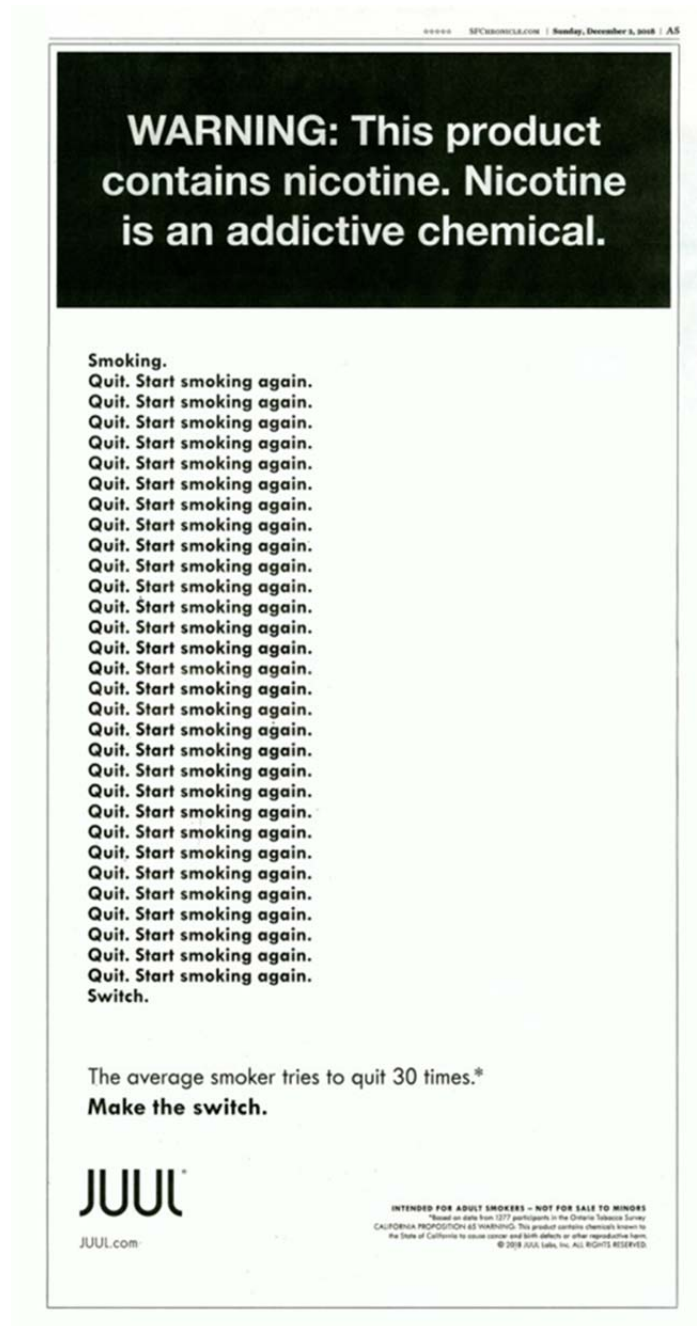
²⁵⁸ *Altria Makes \$12.8 Billion Minority Investment in JUUL to Accelerate Harm Reduction and Drive Growth*, (Dec. 20, 2018), BUSINESS WIRE, <https://www.businesswire.com/news/home/20181220005318/en/Altria-12.8-Billion-Minority-Investment-JUUL-Accelerate>.

²⁵⁹ Altria Group (MO) Q4 2018 Earnings Conference Call Transcript: MO earnings call for the period ending December 31, 2018, (Jan. 31, 2019), <https://www.fool.com/earnings/call-transcripts/2019/02/01/altria-group-mo-q4-2018-earnings-conference-call-t.aspx>.

²⁶⁰ *Id.*

233. Defendants knew at the time of making these statements that they were false, deceptive and misleading. JUUL does not have FDA approval as a cessation product.

234. The *Switch* advertisements reinforced the impression left by the testimony of JLI’s co-founder, clearly linking JUUL to cessation and quitting. For example:



235. Representative Rashida Tlaib, upon presenting this ad to Monsees, had the following exchange:

1 **Rep. Tlaib:** After 30 lines, starting with “quit,” the ad says “switch,” followed by no
 2 further mentions of start smoking again. You were a smoker. Does this ad give a
 3 smoker hope that there might be a way to quit cigarettes for good?

4 **Mr. Monsees:** I think the intention of this ad is to make it very clear to consumers that
 5 there is an alternative, finally, to combustible cigarettes. I am one of those people.²⁶¹

6 236. Defendants’ tacit message in their *Switch* advertisements is: switch because, unlike
 7 cigarettes, JUUL is harmless to your health.

8 237. Defendants’ false, deceptive and misleading *Switch* campaign suggests that JUUL is
 9 designed to “switch” adult smokers off cigarettes rather than to addict youth to nicotine.

10 238. Defendants know that a large number of smokers who use JUUL products do not end up
 11 switching but end up consuming cigarettes and JUUL.

12 239. Moreover, Defendants know that, by design, a large number of their customers are
 13 youth and that JUUL was never designed to be a cessation device.

14 240. JLI has advertised cost-savings calculators as part of its *Switch* campaign. Those
 15 calculators assume that a smoker who switches will continue consuming the same amount of nicotine
 16 that he or she did as a smoker (*i.e.*, a pack a day smoker is presumed to consume one JUUL pod a day).
 17 Defendants know that the calculator is misleading because smokers who switch to JUUL frequently
 18 increase their nicotine intake.
 19

20 241. JUUL labels and advertisements also marketed the product as an “alternative” to
 21 cigarettes:
 22
 23
 24
 25
 26

27
 28 ²⁶¹ *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of James Monsees, Co-Founder, JUUL Labs, Inc.), at 12:33-13:04.



242. Other advertisements similarly marketed the product as smoking “evolved”:



243. One goal of these advertisements was to convey the deceptive, misleading and false impression that JUUL products could help people quit smoking and break nicotine addiction in a way that was healthy and safe. But, as noted above, that was simply not the case. Defendants never disclosed to the public that JUUL e-cigarettes and JUUL pods are at least as, if not more, addictive than combustible cigarettes. And each of JLI, the Management Defendants, and the Altria Defendants received data to this effect, as discussed above, and were aware of this fact.

244. In addition, the notions that JUUL products are designed only for existing cigarette smokers, and safer than combustible cigarettes are belied by JLI’s own knowledge, marketing plan and intentions on several fronts. *First*, Defendants sought to grow a new group of users of nicotine

1 products (e.g., “vapers”), including young people in particular, not just to market to the shrinking
 2 number of existing cigarette smokers. *Second*, JLI and Bowen designed the JUUL device to be easy to
 3 use for youth and others who have never smoked and to create and exacerbate nicotine addiction
 4 among those groups by encouraging ingestion of excessive amounts of nicotine. *Third*, as noted above,
 5 JLI’s own internal testing revealed that JUUL products were often more potent than combustible
 6 cigarette smokers prefer. Each of the Management Defendants knew this from his position on JLI’s
 7 Board of Directors, and the Altria Defendants knew the same when they began to actively coordinate
 8 with JLI and the Management Defendants. Despite this knowledge, these Defendants made numerous
 9 deceptive, false and misleading public statements that JUUL was intended to be a cessation device.
 10

11 245. JUUL is not a product adults typically use to quit smoking. Researchers have found that
 12 as of 2018, only 7.9% of American adults had ever used USB shaped e-cigarettes, like JUUL, and only
 13 2% of adults currently used them.²⁶² By contrast, a recent study found that 15 to 17-year-olds are
 14 *sixteen times* more likely to use JUUL products than 25 to 34-year-olds.²⁶³
 15

16 246. JLI’s own marketing research indicated that JUUL was not appropriate as a cessation
 17 device for adults. [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]
 23 [REDACTED]

25 ²⁶² Kristy L. Marynak et al., *Use and reasons for use of electronic vapour products shaped like USB*
 26 *flash drivers among a national sample of adults*, 28 TOBACCO CONTROL 685 (Nov. 2019),
 27 <https://tobaccocontrol.bmj.com/content/28/6/685>.

28 ²⁶³ D.M. Vallone et al., *Prevalence and correlates of JLI use among a national sample of youth and*
young adults, TOBACCO CONTROL (Oct. 29, 2018), [http://dx.doi.org/10.1136/tobaccocontrol-2018-](http://dx.doi.org/10.1136/tobaccocontrol-2018-054693)
 054693.

²⁶⁴ JLI00365905.

1 [REDACTED] 265 [REDACTED]

2 [REDACTED]

3 [REDACTED] 266 [REDACTED]

4 [REDACTED] 267

5 [REDACTED] 268

7 247. The deceptive, misleading and fraudulent nature of the “*Make the Switch*” campaign is
 8 evident when comparing the campaign’s advertisements to JUUL’s initial advertising, as demonstrated
 9 below. The fact that these advertisements are for the same product confirms that, notwithstanding the
 10 advice JLI and the Altria Defendants received from their media consultants, the Defendants never
 11 intended to target only adult smokers.



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JUUL @JUULvapor · 4 Jun 2015
 Get #Vaporized with #JUUL #LightsCameraVapor



265 *Id.* (emphasis added).

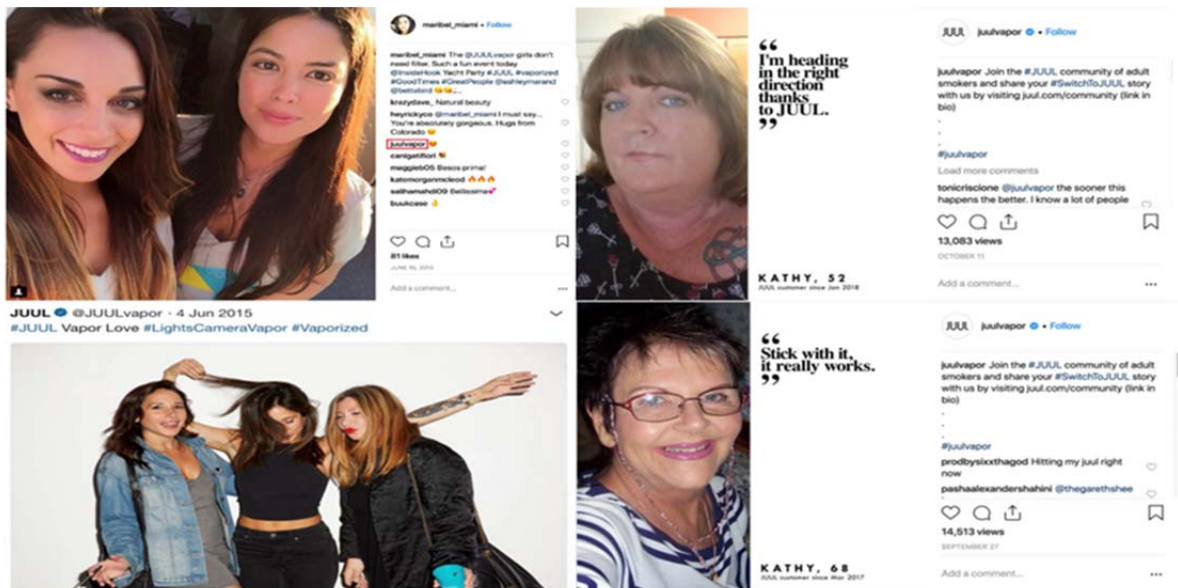
266 JLI00365709.

267 JLI00364678.

268 JLI00364487.



And



248. Defendants ensured that JUUL was the *opposite* of a “tool[] to reduce or eliminate” nicotine consumption. According to the National Institutes of Health, the “amount and speed of nicotine delivery . . . plays a critical role in the potential for abuse of tobacco products.”²⁶⁹ As described above, JLI and Bowen designed the JUUL product to deliver nicotine in larger amounts and at a faster rate than even cigarettes, and then knowingly misled the public about those facts.

249. The *Switch* campaign also does not disclose or warn about the risks of using multiple tobacco products, “dual use” or that the JUUL is not a smoking cessation product. In addition to the

²⁶⁹ U.S. Dep’t of Health & Human Servs., Nicotine Addiction: Past and Present, How Tobacco Smoke Causes Disease (2010), <https://www.ncbi.nlm.nih.gov/books/NBK53018/#ch4.s92>.

1 heightened risks of addiction that multiple tobacco product use poses, one recent study found that
 2 persons who use e-cigarettes and smoke have blood toxin levels far higher than one would expect
 3 given the blood toxin levels that e-cigarettes and cigarettes generate individually.²⁷⁰

4 250. The FDA and other government regulators, enforcing existing laws addressing e-
 5 cigarettes,²⁷¹ publicly criticized the “*Make the Switch*” campaign and other efforts by Defendants to
 6 depict JUUL as a smoking cessation device. Section 911(b)(2)(A)(i) of the Federal Food, Drug, and
 7 Cosmetics Act (FDCA) (21 U.S.C. § 387k(b)(2)(A)(i)) states that when advertising or labeling of a
 8 cigarette product directly or indirectly suggests that the product has a lower risk of cigarette-related
 9 disease, is less harmful than traditional cigarettes, or is otherwise ‘safer’ than traditional cigarettes,
 10 then the product becomes a “modified risk tobacco product.”²⁷²

11 251. In late 2019, and in response to the House of Representatives hearings in which JLI
 12 executives testified, the FDA issued two warning letters to JLI detailing its concern that JLI was
 13 unlawfully marketing its e-cigarette products as cessation tools or as “modified risk tobacco products”
 14 within the meaning of the FDCA.²⁷³

15 252. Then, in its September 9, 2019 letter to JLI, the FDA notified JLI that its advertising
 16 slogans such as “99% safer,” “much safer,” and “a safer alternative” than cigarettes was “particularly
 17 concerning because [those] statements were made directly to children in school.”²⁷⁴ The FDA
 18 concluded that in using advertising language that e-cigarettes were safer than cigarettes, JLI had
 19
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23 ²⁷⁰ Julie B. Wang et al., *Cigarette and E-Cigarette Dual use and Risk of Cardiopulmonary Symptoms*
 24 *in the Health eHeart Study*, 13 PLoS ONE 1 (2018).

25 ²⁷¹ Section 911(b)(2)(A)(i) of the FDCA (21 U.S.C. § 387k(b)(2)(A)(i)) states that when advertising or
 26 labeling of a cigarette product directly or indirectly suggests that the product has a lower risk of
 cigarette-related disease, is less harmful than traditional cigarettes, or is otherwise ‘safer’ than
 traditional cigarettes, then the product becomes a “modified risk tobacco product.”

27 ²⁷² *Id.*

28 ²⁷³ Letter from U.S. Food and Drug Admin. to Kevin Burns, CEO of JUUL Labs, Inc., (Sept. 9, 2019),
<https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019>.

²⁷⁴ *Id.*

1 violated Sections 902(8) and 911 by marketing JUUL products as “modified risk tobacco products”
 2 without prior approval.²⁷⁵

3 253. The September 9, 2019 letter also detailed the FDA’s concerns with JLI’s “Switch”
 4 marketing campaign. “[T]roubled by recent testimony” that JLI had given to the House Subcommittee
 5 on Economic and Consumer Policy of the Committee on Oversight and Reform, the FDA noted that
 6 JLI’s *Switch* advertising campaign “may also convey that switching to JUUL is a safer alternative to
 7 cigarettes.”²⁷⁶

8 254. The FDA specifically highlighted the *Switch* campaign slogans which referenced
 9 smoking cigarettes, or attempts to quit smoking, followed by “*Make the Switch.*” The FDA stated that
 10 JLI’s campaign was in violation of multiple FDA regulations and the FDCA subsections, and that JLI’s
 11 *Switch* campaign purported to tell the public that using e-cigarettes was an alternative to smoking, or a
 12 possible cessation tool.²⁷⁷

13 255. On the same day, the FDA requested that JLI provide all documents related to its
 14 decision to market the Switch campaign to the Cheyenne River Sioux Tribe, in light of the testimony
 15 by JLI that it had taken a “public health” approach to Native American tribes, and had sought
 16 healthcare professionals to refer Native American smokers to JLI’s Switching Program.²⁷⁸

17 256. [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22 [REDACTED]
 23 [REDACTED]
 24 [REDACTED]

25
 26 ²⁷⁵ *Id.*

27 ²⁷⁶ Letter from U.S. Food and Drug Admin. Ctr. for Tobacco Prods. to JUUL Labs, Inc. (Sept. 9,
 28 2019).

²⁷⁷ *Id.*

²⁷⁸ *Id.*

1 [REDACTED]²⁷⁹ [REDACTED]

2 [REDACTED]²⁸⁰

3 257. [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]²⁸¹ [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]²⁸²

12 258. [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 [REDACTED]²⁸³

17 259. [REDACTED] [REDACTED] [REDACTED]

18 [REDACTED]

19 [REDACTED]²⁸⁵ This campaign was “*Make the Switch.*”

21 ²⁷⁹ Kevin McCauley, *Altria Taps Mercury For Tobacco Regulation Work*, O’DWYER’S (Jun. 4, 2018),
22 <https://www.odwyerpr.com/story/public/10754/2018-06-04/altria-taps-mercury-for-tobacco-regulation-work.html>.

23 ²⁸⁰ See, e.g., INREJUUL_00262168; INREJUUL_00262226-INREJUUL_00262227.

24 ²⁸¹ See INREJUUL_00262168; see also Kate Zernike, ‘I Can’t Stop’: Schools Struggle With Vaping
25 *Explosion*, N.Y. Times (Apr. 2, 2018), <https://www.nytimes.com/2018/04/02/health/vaping-ecigarettes-addiction-teen.html>.

25 ²⁸² INREJUUL_00262168.

26 ²⁸³ INREJUUL_00262226-227.

27 ²⁸⁴ See INREJUUL_00066530-539 [REDACTED]

28 ²⁸⁵ See INREJUUL_00074841; see also INREJUUL_00074842-844 at 842.

1 **5. JLI, Altria, and Others in the E-Cigarette Industry Coordinated with Third-Party**
 2 **Groups to Mislead the Public, Including Minors, About the Harms and Benefits of**
 3 **E-Cigarettes.**

4 260. Through a collective and parallel effort of funding, leadership, and board membership,
 5 JLI, the Altria Defendants and others in the e-cigarette industry leveraged third-parties, ranging from
 6 industry-funded non-governmental organizations to online blogs more accessible to youth, to mislead
 7 the public about the impacts of consuming e-cigarettes.

8 261. An assortment of lobbyists, trade associations, and online publications have coordinated
 9 with the e-cigarette industry, including JLI and the Altria Defendants, to promote a consistent message
 10 that consuming e-cigarettes is not harmful, that nicotine is not harmful, and that the impacts of e-
 11 cigarettes are greatly exaggerated. These organizations receive funding from the e-cigarette industry,
 12 feature executives on those companies' boards of directors, and in return, promote industry products,
 13 industry views, or fund "independent" studies of their own that reach the same conclusions as e-
 14 cigarette industry-funded research.
 15

16 **a. The American Vaping Association**

17 262. The American Vaping Association ("AVA") is a pro-e-cigarette lobby group founded
 18 by Greg Conley, who notably publishes articles criticizing the CDC for its stance on restricting e-
 19 cigarette use.²⁸⁶ Other executive members of the AVA possess business interests in e-cigarettes; for
 20 example, Treasurer David J. Danzak Jr. is associated with an e-cigarette business called Vapornine
 21 LLC.²⁸⁷ Vice-President Antoinette Lanza is an owner of an exclusively e-cigarette shop in Hoboken,
 22
 23
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27 ²⁸⁶ Jeff Stier & George Conley, *The War on E-Cigarettes*, NATIONAL REVIEW (Sept. 19, 2011),
 28 <https://www.nationalreview.com/2011/09/war-e-cigarettes-jeff-stier-gregory-conley/>.

²⁸⁷ Vapornine LLC, BUZZFILE, <http://www.buzzfile.com/business/Vapornine-LLC-904-372-3244>
 (business information page).

1 New Jersey called Smokeless Image.²⁸⁸ Half of the AVA's functional expenses are for lobbying
 2 efforts.²⁸⁹ It lists several sponsors, all of which are e-cigarette, e-liquid, or cigarette companies.²⁹⁰

3 263. Conley has a prolific social media presence and frequently appears on television and
 4 radio to tout the benefits of consuming e-cigarettes and dispute negative news. The AVA website lists
 5 "studies" which are uniformly authored by noted industry-funded or industry-friendly authors, such as
 6 Polosa and Shahab.²⁹¹ AVA lists CASAA, Not Blowing Smoke, and the VTA, all established fronts for
 7 the e-cigarette industry, as "Resources."

8 264. The AVA receives its funding from sponsors, who are organized into tiers such as
 9 Platinum, Gold, Silver, Bronze, and Green.²⁹² Current advertised sponsors include e-cigarette
 10 distributors and retailers such as E-Cigarette Empire, and VaporBeast.²⁹³ Prior sponsors are a who's
 11 who of e-cigarette retailers. In 2016, Platinum sponsors included AltSmoke and Vapor Kings, while
 12 Gold sponsors included the now defunct Smokeless Image.²⁹⁴

13 265. On social media, the AVA regularly downplays the risks of consuming e-cigarettes,
 14 criticizes negative coverage as myths or exaggerations, and lauds efforts to curb any regulation of the
 15 e-cigarette industry.²⁹⁵

16 266. JLI actively sought out the AVA to promote JUUL. [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED].²⁹⁶

22 ²⁸⁸ Stacy Jones, *Tobacco regulators mull more oversight as e-cigarettes see increased popularity*,
 23 NJ.com (Mar. 30, 2019),
 24 https://www.nj.com/business/2013/07/tobacco_regulators_mull_more_o.html.

25 ²⁸⁹ Form 990, American Vaping Association Inc.'s Return of Organization Exempt from Income Tax (2018), https://apps.irs.gov/pub/epostcard/cor/464203951_201812_990O_2019122716980021.pdf.

26 ²⁹⁰ AVA Sponsors, American Vaping Association, <https://vaping.org/about-us/ava-sponsors/>.

27 ²⁹¹ Research Reports, American Vaping Association, <https://vaping.org/research-report/>.

28 ²⁹² AVA Sponsors, American Vaping Association, <https://vaping.org/about-us/ava-sponsors/>.

²⁹³ *Id.*

²⁹⁴ AVA Sponsors, American Vaping Association, Wayback Machine – Internet Archive (Aug. 14, 2017), <https://web.archive.org/web/20170814221226/http://vaping.org/about-us/ava-sponsors/>.

²⁹⁵ American Vaping Association (@AVABoard), Twitter, <https://twitter.com/AVABoard>.

1 267. In 2018, JLI took advantage of its coordinated efforts with the AVA to downplay the
2 risks associated with JUUL. [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 [REDACTED]²⁹⁷ [REDACTED]

6 [REDACTED]

7 [REDACTED]²⁹⁸

8
9 268. The AVA also coordinated with JLI on pro-e-cigarette research. In March 2018, Conley
10 facilitated a conversation between Dr. Konstantinos Farsalinos, a researcher at the University of Patras,
11 Greece, who regularly publishes e-cigarette industry-friendly articles, and Gal Cohen, then Director of
12 Scientific Affairs at JLI.²⁹⁹ [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]³⁰⁰

16
17 269. [REDACTED]

18 [REDACTED]

19 [REDACTED]

20 [REDACTED]

21
22
23
24
25 ²⁹⁶ INREJUUL_00278889.

26 ²⁹⁷ See INREJUUL_00173252 ([REDACTED]).

27 ²⁹⁸ *Id.*

28 ²⁹⁹ Juul Labs, Inc., *JUUL Labs Presents Findings at the Global Forum on Nicotine 2018*, Cision PR Newswire (June 15, 2018), <https://www.prnewswire.com/news-releases/juul-labs-presents-findings-at-the-global-forum-on-nicotine-2018-300666743.html>.

³⁰⁰ INREJUUL_0034128.

b. Vaping360

270. Vaping360 is a website dedicated to news regarding the e-cigarette industry. The website boasts “40 million smokers and vaping enthusiasts reached since 2015.” This entity has a big social media presence and huge publication strategy.

271. Vaping360’s main message misleads the public about the health impacts of consuming e-cigarettes. Vaping360 has published various articles, including “10 Lies and Myths About Juuling Exposed.”³⁰² This article, published in May 9, 2018, claimed, among other things, that JUUL was not as dangerous as smoking; JUUL did not cause cancer or “popcorn lung”; JUUL was not popular among teenagers, nor did JLI sell kid-friendly flavors or flavors aimed to entice young people; and the nicotine in JUUL is “a relatively mild drug, [and] may cause dependence.”³⁰³

272. Vaping360 regularly published articles praising, promoting, or downplaying the risks of JUUL, including, among others: “These Scientists Want to Kill Smokers’ Hope (For Vaping)”; “UK Scientists to WHO: Your Vape Report Is Junk”; “One Free Pack JUUL Coupon Codes 2019”; and an article disparaging anti-smoking advocacy group Truth Initiative by claiming that “Truth Initiative Promo Encourages Risky Teen Behavior.”³⁰⁴

273. One of the main writers at Vaping360 is Jim McDonald who aggressively attacks any negative science as fake news. For example, McDonald frequently posts on social media platforms,

³⁰¹ *Id.*

³⁰² Jim McDonald, *10 Lies and Myths About Juuling Exposed*, Vaping 360 (May 9, 2018), <https://vaping360.com/lifestyle/juuling/>.

³⁰³ *Id.*

³⁰⁴ Jim McDonald, *Truth Initiative Promo Encourages Risky Teen Behavior*, Vaping 360 (Jan. 9, 2020), <https://vaping360.com/vape-news/87705/truth-initiative-promo-encourages-risky-teen-behavior/>.

1 including on Facebook and Twitter, but also comments on others posts extensively disputing negative
2 news about consuming e-cigarettes.³⁰⁵

3 274. Vaping360 has taken funding from e-cigarette manufacturers, and in return coordinates
4 with e-cigarette manufacturers to promote their products, while publishing favorable content.
5

6 [REDACTED]

7 [REDACTED]

8 275. [REDACTED]

9 [REDACTED]

10 [REDACTED]³⁰⁶

11 [REDACTED]³⁰⁷

12 [REDACTED]³⁰⁸

13 276. [REDACTED]

14 [REDACTED]

15 [REDACTED]³⁰⁹

16
17 277. In 2018, McDonald continued to write articles specifically praising JLI, such as
18 “Coming Soon: A JUUL to Help You Quit JUULing” and “10 Lies and Myths About JUULing
19 Exposed.”³¹⁰ As of 2020, Vaping360 continues to offer discounts for JUUL products.³¹¹
20
21

22 ³⁰⁵ Jim McDonald, *Mass. Senate Passes Worst Vaping Law in the Countr*, Vaping 360 (Nov. 21, 2019),
23 <https://vaping360.com/vape-news/86852/mass-senate-passes-worst-vaping-law-in-the-country/>; Jim
24 McDonald, *Meet the Rich Moms Who Want to Ban Vaping*, Vaping 360 (Oct. 8, 2018),
25 <https://vaping360.com/vape-news/71696/meet-the-rich-moms-who-want-to-ban-vaping/>.

26 ³⁰⁶ INREJUUL_00143870.

27 ³⁰⁷ *Id.*

28 ³⁰⁸ *Id.*

³⁰⁹ INREJUUL_00139196.

³¹⁰ Jim McDonald, *Coming Soon: A JUUL to Help You Quit Juuling*, Vaping 360 (Sept. 7, 2018),
<https://vaping360.com/vape-news/70262/coming-soon-a-juul-to-help-you-quit-juuling/>.

³¹¹ [One FREE Pack] JUUL Coupon Codes 2019, Vaping 360 (Aug. 24, 2018)
<https://vaping360.com/vape-coupons/juul-coupon-promo-code/>.

c. Foundation for a Smoke-Free World

278. The Foundation was founded in 2017, and presents itself as a public health organization, purportedly “advancing global progress in smoking cessation and harm reduction.”³¹² It is funded entirely by Philip Morris International, which in 2017 announced a \$1 billion commitment to fund the Foundation.³¹³ The Foundation’s 2018 Form 990 lists only one donor: PMI Global Services, Inc., or Philip Morris International, with a contribution of \$80 million.³¹⁴

279. The Foundation is headed by Derek Yach, a noted advocate and promoter of e-cigarettes and consuming e-cigarettes.³¹⁵

280. In 2018, the Foundation announced that it would support Centers of Excellence to conduct tobacco control research.³¹⁶ This tactic is a well-known tool of the cigarette industry, which has a history of funding “research” centers to promote industry-friendly views, such as the Center for Indoor Air Research, which promulgated industry-funded studies that sowed doubt about the addictiveness of nicotine, claimed that indoor air quality was unaffected by cigarette smoke and downplayed the harms of cigarettes broadly. Institutes such as the Center for Indoor Air Research were forced to dissolve as part of the Master Settlement Agreement in 1998.

³¹² Foundation for a Smoke-Free World (2020), <https://www.smokefreeworld.org/>.

³¹³ David Meyer, *Philip Morris Pledges Almost \$1 Billion to Anti-Smoking Fight*, FORTUNE (Sept. 13, 2017), <https://www.webcitation.org/6tjyBv4dA>.

³¹⁴ Return of Private Foundation, Foundation for a Smoke-Free World (2018), https://web.archive.org/web/20190828104138/https://www.smokefreeworld.org/sites/default/files/uploads/documents/fsfw_2018_form_990-pf_public_inspection.pdf.

³¹⁵ *Derek Yach: Anti-smoking advocates should embrace e-cigarettes*, NATIONAL POST (Aug. 26, 2015), <https://nationalpost.com/opinion/derek-yach-anti-smoking-advocates-should-embrace-e-cigarettes>.

³¹⁶ Support Global Research, Foundation for a Smoke-Free World (May 31, 2018), <https://web.archive.org/web/20180531105105/https://www.smokefreeworld.org/our-areas-focus/support-global-research>.

281. A 2017 report in The Verge detailed the e-cigarette industry's apparently coordinated efforts to use biased research to downplay the risks of consuming e-cigarettes.³¹⁷ For example, e-cigarette manufacturers routinely conduct studies focusing on the "good news" about e-cigarettes, *i.e.* they release less harmful aerosolized chemicals than combustible cigarettes, or that their aerosol lingers for less time indoors than combustible cigarettes.³¹⁸ Industry-funded authors then regularly cite to each other's studies in their own research.³¹⁹ On information and belief, JLI and Altria, among others in the e-cigarette industry, funnel their industry-funded studies to friendly pro-industry groups knowing that those entities will misrepresent the results as evidence that e-cigarettes are safe, or not harmful.

d. Vapor Technology Association

282. The Vapor Technology Association (VTA) bills itself as a trade association and advocates for the e-cigarette industry. It was founded in January 2016, with the banner tagline on its website reading "VAPE IS HOPE."³²⁰

283. In 2018, JLI, SMOK, VMR, Turning Point Brands, and Joyetech were all featured as "Platinum Members," a level of membership that required a \$100,000 annual contribution. Thus, JLI

³¹⁷ Liza Gross, *Vaping companies are using the same old tricks as Big Tobacco*, THE VERGE (Nov. 16, 2017), <https://www.theverge.com/2017/11/16/16658358/vape-lobby-vaping-health-risks-nicotine-big-tobacco-marketing>.

³¹⁸ See, e.g., J. Margham, et al., *Chemical Composition of Aerosol from an E-Cigarette: A Quantitative Comparison with Cigarette Smoke*, 29 CHEM. RES. TOXICOL. 1662 (2016); Tanvir Walele et al., *Evaluation of the safety profile of an electronic vapour product used for two years by smokers in a real-life setting*, 92 REG. TOXICOL. PHARMACOL. 226 (2018); D. Martuzevicius, et al., *Characterization of the Spatial and Temporal Dispersion Differences Between Exhaled E-Cigarette Mist and Cigarette Smoke*, 21 NICOTINE & TOBACCO RES. 1371 (2019).

³¹⁹ See, e.g., Gene Gillman et al., *Determining the impact of flavored e-liquids on aldehyde production during Vaping*, 112 REG. TOXICOL. PHARMACOL. 1 (2020); Colin Mendelsohn & Alex Wodak, *Legalising Vaping in Australia*, The McKell Institute (March 2019), <https://pdfs.semanticscholar.org/3e13/8e46419913a29f8fc9ddad52ec771f73fa76.pdf>; Violeta Kaunelienė et al., *Impact of Using a Tobacco Heating System (THS) on Indoor Air Quality in a Nightclub*, 19 AEROSOL AND AIR QUAL. RES. 1961 (2019); Maya Mitova et al., *Human chemical signature: Investigation on the influence of human presence and selected activities on concentrations of airborne constituents*, 257 ENV'TL POLLUTION 1 (2020).

³²⁰ Vape is Hope, Vapor Technology Association (Feb. 25, 2016), <https://web.archive.org/web/20160225154600/http://www.vaportechnology.org:80/>.

1 paid VTA \$100,000 in 2018 to become a Platinum Member, and in return, VTA offered JLI a board
 2 seat; invitations to lobbying strategy meetings; access to the FDA, other federal agencies, and members
 3 of Congress; and conference participation.³²¹

4 284. The VTA, like other lobbying and trade association groups in the industry, advocates
 5 for less regulation of e-cigarettes, and testifies in opposition to flavor bans.³²²

7 **e. Retailer Lobbying**

8 285. Retailers have also taken to creating subsidiaries or wholly owned companies whose
 9 purpose is to produce quasi-journalistic content to promote consuming e-cigarettes, discredit health
 10 initiatives, and suggest that consuming e-cigarettes has no harmful health impacts. The best example of
 11 this is the website SoupWire, which publishes articles and editorials that promote consuming e-
 12 cigarettes and criticizes studies that look at the negative impacts of consuming e-cigarettes.³²³ For
 13 example, when JLI donated \$7.5 million towards a study on the impacts of consuming e-cigarettes on
 14 teens, a SoupWire report concluded that the study will likely find “nothing Earth-shattering.”³²⁴

16 **6. Altria Falsely Stated That It Intended to Lend Its Expertise in “Underage
 17 Prevention” Issues to JLI.**

18 286. Altria’s announcement that it intended to invest in JLI came less than two months after
 19 it told the FDA that Altria “believe[s] that pod-based products significantly contribute to the rise in
 20 youth use of e-vapor products” and that it accordingly would be removing its own pod-based products
 21 from the market.³²⁵ Altria made the same representations to its investors.³²⁶

22 287. Although Altria claimed its investment in JLI had an altruistic motive—“When you add
 23 to JUUL’s already substantial capabilities, our underage tobacco prevention expertise and ability to
 24

25 ³²¹ Some of Our Members, Vapor Technology Association (Nov. 28, 2018),
<https://web.archive.org/web/20181128162940/https://vaportechnology.org/membership/>.

26 ³²² Vapor Technology Association, <https://vaportechnology.org/>.

27 ³²³ Soupwire – The Truth About Vaping, <https://soupwire.com/>.

28 ³²⁴ Jeff Hawkins, *JUUL Donates \$7.5 Million to Teen Vaping Study*, Soupwire – The Truth About Vaping (July 2, 2019), <https://soupwire.com/juul-donates-7-5-million-to-teen-vaping-study/>.

³²⁵ Letter from Howard A. Willard III, Altria, to Dr. Scott Gottlieb, FDA, 2 (October 25, 2018).

³²⁶ Altria Group Inc (MO) Q3 2018 Earnings Conference Call Transcript, (October 25, 2018).

1 directly connect with adult smokers, we see a compelling future with long-term benefits for both adult
 2 tobacco consumers and our shareholders,” Altria recently confirmed that JLI has not even availed itself
 3 of that experience.³²⁷ In Altria’s October 2019 letter to Senator Dick Durbin, Altria CEO Howard
 4 Willard acknowledged that while Altria “offered to JUUL services relating to underage prevention
 5 efforts,” to date “JUUL has not accepted Altria’s offers of assistance in addressing underage vaping
 6 relating issues.”³²⁸ Willard has stated that the deal would allow Altria to “work[] with JUUL to
 7 accelerate its mission.”³²⁹ but as Altria knew, as reflected in its letter to the FDA just two months prior,
 8 that mission involved had resulted in usage throughout the youth market. Altria’s admission that pod-
 9 based products contributed to underage use show that Altria knew its investment in JLI would
 10 “strengthen[] its financial profile and enhance[] future growth prospects” specifically because JLI
 11 dominated the youth market for e-cigarettes.³³⁰

12
 13
 14 288. Altria recognized JLI’s market share dominance in the e-cigarette market as the path to
 15 Altria’s continued viability and profitability. In a January 31, 2019 earnings call, Altria explained that
 16 “[w]hen you add to JUUL’s already substantial capabilities, our underage tobacco prevention expertise
 17 and ability to directly connect with adult smokers, we see a compelling future with long-term benefits
 18 for both adult tobacco consumers and our shareholders. We are excited about JUUL’s domestic growth
 19 and international prospects and their potential impact on our investment.”³³¹ JUUL’s growth was, as
 20 Altria well knew, due to the product’s viral popularity among teens. Willard briefly acknowledged the
 21

22 ³²⁷ Altria Group (MO) Q4 2018 Earnings Conference Call Transcript: MO earnings call for the period
 23 ending December 31, 2018, (Jan. 31, 2019).

24 ³²⁸ Letter from Howard A. Willard III to Senator Richard J. Durbin (October 14, 2019) (emphasis
 added).

25 ³²⁹ Altria Makes \$12.8 Billion Minority Investment in JUUL to Accelerate Harm Reduction and Drive
 26 Growth, BUSINESS WIRE (Dec. 20, 2018, 7:00 AM EST),
<https://www.businesswire.com/news/home/20181220005318/en/Altria-12.8-Billion-Minority-Investment-JUUL-Accelerate>.

27 ³³⁰ *Id.*

28 ³³¹ Altria Group (MO) Q4 2018 Earnings Conference Call Transcript: MO earnings call for the period
 ending December 31, 2018 (Jan. 31, 2019), <https://www.fool.com/earnings/call-transcripts/2019/02/01/altria-group-mo-q4-2018-earnings-conference-call-t.aspx>.

1 youth e-cigarette use crisis, stating, “Briefly touching on the regulatory environment, the FDA and
 2 many others are concerned about an epidemic of youth e-vapor usage. We share those concerns. This is
 3 an issue that we and others in the industry must continue to address aggressively and promptly.”³³²

4 289. Altria’s representations that it intended to help JUUL curb the prevalence of underage
 5 use was false and misleading. As discussed below, Altria coordinated with JUUL to capture and
 6 maintain the youth market.
 7

8 **E. Defendants Targeted the Youth Market.**

9 290. Having created a product, like combustible cigarettes, that sought to get users addicted
 10 to nicotine, and while taking steps to ensure that users and regulators did not appreciate the true
 11 nicotine content or potential harm from using JUULs, to successfully sink their high-tech nicotine
 12 hook into American consumers, JLI, Bowen, and Monsees needed investors willing to adopt the tactics
 13 of the cigarette industry as their own. They found those investors in Pritzker, Huh, and Valani.
 14

15 291. Under the leadership of the Management Defendants, JLI marketed nicotine to kids. JLI
 16 and the Management Defendants deployed a sophisticated viral marketing campaign that strategically
 17 laced social media with false and misleading messages to ensure their uptake and distribution among
 18 young consumers. JLI and the Management Defendants’ campaign was wildly successful—burying
 19 their hook into kids and initiating a public health crisis.
 20

21 **1. JLI Emulated the Marketing of Cigarette Companies.**

22 292. As Defendants know, nearly 9 out of 10 smokers start smoking by age 18, and more
 23 than 80% of underage smokers choose brands from among the top three most heavily advertised.³³³
 24
 25
 26

27 ³³² *Id.*

28 ³³³ U.S. Dep’t Health & Human Servs., *Preventing Tobacco Use Among Youths, Surgeon General Fact Sheet*, <https://www.hhs.gov/surgeongeneral/reports-and-publications/tobacco/preventing-youth-tobacco-use-factsheet/index.html>.

1 The overwhelming consensus from public health authorities, independent studies, and credible expert
 2 witnesses is that “marketing is a substantial contributing factor to youth smoking initiation.”³³⁴

3 293. Struggling to define their own identities, teenagers are particularly vulnerable to image-
 4 heavy advertisements that psychologically cue them on the “right” way to look and behave amongst
 5 peers.³³⁵ Advertisements that map onto adolescent aspirations and vulnerabilities drive adolescent
 6 tobacco product initiation.³³⁶

7
 8 294. For decades, cigarette companies spun smoking as a signifier of adulthood. This turned
 9 smoking into a way for teenagers to project independence and enhance their image among their
 10 peers.³³⁷

11 295. Youth marketing was critical to the success of cigarette companies. In the 1950s, Philip
 12 Morris—now JUUL’s corporate affiliate—intentionally marketed cigarettes to young people as a pool
 13 from which to “replace smokers” to ensure the economic future of the cigarette industry.³³⁸

14 296. Philip Morris’s documents set out their youth strategy, explaining: “Today’s teenager is
 15 tomorrow’s potential regular customer, and the overwhelming majority of smokers first begin to smoke
 16 while still in their teens”.³³⁹

17
 18 297. It wasn’t just Philip Morris. The strategy of hooking kids was an open secret in the
 19 cigarette industry.³⁴⁰

20
 21 ³³⁴ *United States v. Philip Morris*, 449 F. Supp. 2d 1, 570 (D.D.C. 2006) (J. Kessler).

22 ³³⁵ *Id.* at 578.

23 ³³⁶ *Id.* at 570, 590.

24 ³³⁷ *Id.* at 1072.

25 ³³⁸ *United States v. Philip Morris*, No. 99-2496 (D.D.C. Aug. 17, 2006), ECF No. 5750 at 972
 26 (Amended Final Opinion).

27 ³³⁹ *Tobacco Company Quotes on Marketing to Kids*, Campaign for Tobacco-Free Kids (May 14, 2001),
 28 <https://www.tobaccofreekids.org/assets/factsheets/0114.pdf>.

³⁴⁰ C.A. Tucker, *Marketing Plans Presentation to RJRI B of D* at 2, U.C.S.F. Truth Tobacco Industry Documents (Sept. 30, 1974),
<https://www.industrydocumentslibrary.ucsf.edu/tobacco/docs/#id=ypmw0091> (RJ Reynolds executive explaining that the “young adult . . . market . . . represent[s] tomorrow’s cigarette business. As this 14-24 age group matures, they will account for a key share of the total cigarette volume—for at least the next 25 years.”).

298. As detailed below, JLI and the Management Defendants sought to emulate this approach. Indeed, Monsees admitted to using historical cigarette ads to inform JLI's own advertising campaign.³⁴¹

299. The emulation is obvious. A side-by-side comparison of JUUL advertisements with historical cigarette advertisements reveals the appropriated pattern of focusing on imagery related to attractiveness, stylishness, sex appeal, fun, "belonging," relaxation, and sensory pleasure, including taste.³⁴²



³⁴¹ Matthew Perone & Richard Lardner, *Juul exec: Never intended electronic cigarette for teens*, AP News (July 26, 2019), <https://apnews.com/4b615e5fc9a042498c619d674ed0dc33>; Gabriel Montoya, *Pax Labs: Origins with James Monsees*, Social Underground, <https://socialunderground.com/2015/01/pax-ploom-origins-future-james-monsees> (last visited Apr. 3, 2020).

³⁴² See Appendix A, Ads 9-50.



300. JLI and the Management Defendants deployed this same strategy but adapted it to modern advertising tactics.

2. The Management Defendants Intentionally Marketed JUUL to Young People.

301. The risk that children would use a new e-cigarette product was well known and well publicized in the months leading up to the launch of the JUUL e-cigarette. For example, in April 2015, the CDC published the results from its 2014 National Youth Tobacco Survey.³⁴³ The CDC found that “[i]n 2014, e-cigarettes were the most commonly used tobacco product among middle (3.9%) and high (13.4%) school students.”³⁴⁴ Moreover, “[b]etween 2011 and 2014, statistically significant increases were observed among these students for current use of both e-cigarettes and hookahs ($p < 0.05$), while decreases were observed for current use of more traditional products, such as cigarettes and cigars, resulting in no change in overall tobacco use.”³⁴⁵ The CDC blamed e-cigarette marketing, the use of “a

³⁴³ Centers for Disease Control and Prevention, *Tobacco Use Among Middle and High School Students — United States, 2011–2014*, Morbidity and Mortality Weekly Report (MMWR) 64(14):381-385 (Apr. 17, 2015), <https://www.cdc.gov/mmwr/preview/mmwrhtml/mm6414a3.htm>.

³⁴⁴ *Id.*

³⁴⁵ *Id.*

1 mixture of ‘sex, free samples, [and] flavors’—the same things that were originally found to be
 2 problematic with cigarette ads.”³⁴⁶

3 302. Seeking to enter this nascent youth market for e-cigarettes, JLI intentionally targeted
 4 youth from its inception. In March 2015, Management Defendants supervised the advertising
 5 campaigns that would accompany the launch of JUUL.
 6

7 303. Consistent with Monsees’ position that he has no “qualms” with marketing to people
 8 that were not yet addicted to nicotine,³⁴⁷ [REDACTED]
 9 [REDACTED]
 10 [REDACTED]³⁴⁸

11 304. [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 [REDACTED]³⁴⁹ [REDACTED]
 15 [REDACTED]
 16 [REDACTED]³⁵⁰ Put differently, their target consumer was an adolescent.

17 305. JLI professedly wanted kids to think JUUL was cool. [REDACTED]
 18 [REDACTED]
 19 [REDACTED]
 20 [REDACTED]
 21 [REDACTED]³⁵¹ [REDACTED]
 22 [REDACTED]
 23 [REDACTED]

24 ³⁴⁶ Jacob Kastrenakes, *More teens are vaping instead of smoking*, THE VERGE (Apr. 16, 2015),
 25 <https://www.theverge.com/2015/4/16/8429639/teen-ecigarette-use-triples-vaping-beats-smoking>.

26 ³⁴⁷ David H. Freedman, *How do you Sell a Product When You Really Can’t Say What it Does?*, Inc.,
 27 [https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-ecigarette-company-](https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-ecigarette-company-marketing-dilemma.html)
 28 [marketing-dilemma.html](https://www.inc.com/magazine/201405/david-freedman/james-monsees-ploom-ecigarette-company-marketing-dilemma.html) (last visited Apr. 4, 2020).

³⁴⁸ INREJUUL_00441209.

³⁴⁹ INREJUUL_00057298-INREJUUL_00057487.

³⁵⁰ INREJUUL_00057298-INREJUUL_00057487.

³⁵¹ INREJUUL_00057289.

1 [REDACTED]³⁵² [REDACTED]³⁵³ For
 2 example, [REDACTED]
 3 [REDACTED]
 4 [REDACTED]³⁵⁴ [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]³⁵⁶

8 306. This focus on [REDACTED] continued up to and after launch. [REDACTED]

9 [REDACTED]
 10 [REDACTED]
 11 [REDACTED]³⁵⁷ [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 [REDACTED]³⁵⁸ [REDACTED]
 15 [REDACTED]³⁵⁹, [REDACTED]
 16 [REDACTED]³⁶⁰, [REDACTED]³⁶¹ [REDACTED]
 17 [REDACTED]
 18 [REDACTED]
 19 [REDACTED]³⁶²

22 ³⁵² INREJUUL_00057293.

23 ³⁵³ *Id.*

24 ³⁵⁴ *Id.*

25 ³⁵⁵ *Id.*

26 ³⁵⁶ INREJUUL 00441325-INREJUUL_00441326.

27 ³⁵⁷ JLI00218598.

28 ³⁵⁸ JLI00206206.

³⁵⁹ JLI00222528.

³⁶⁰ JLI00461564.

³⁶¹ JLI00235965.

³⁶² JLI00514343 [REDACTED]

1 307. JLI identified [REDACTED]

2 [REDACTED]

3 [REDACTED]³⁶³

4 308. With this goal in mind, [REDACTED]

5 [REDACTED]³⁶⁴ [REDACTED]

6 [REDACTED]³⁶⁵

7

8 309. In short order, the phrase “it’s cool to JUUL” became an anthem among kids while

9 youth e-cigarette use skyrocketed.

10 **3. JLI Advertising Exploited Young People’s Psychological Vulnerabilities.**

11 310. Informed by decades of tobacco marketing, JLI ran a consistent, simple message: JUUL

12 is used by young, popular, attractive, and stylish people.

13 311. This was not the only marketing scheme JLI could have adopted. JLI had other options.

14 In 2014, JLI engaged a Calgary-based advertising agency, Cult Collective, to complete a “diagnostic”

15 evaluation of the JUUL brand and to make recommendations regarding the best advertising strategy to

16 market the JUUL e-cigarette.

17 312. In keeping with typical e-cigarette marketing, which messaged to existing smokers

18 looking to quit, Cult Collective recommended that JUUL position its e-cigarette technology as the

19 focus of its advertisements. Cult Collective presented JUUL with exemplar advertisements that used

20 images of a boom box and a joy stick, juxtaposed against the JUUL e-cigarette, with the tag line:

21 “Everything changes. JUUL the evolution of smoking.”

22

23

24

25

26

27 ³⁶³ INREJUUL_00161703-INREJUUL_00161715.

28 ³⁶⁴ *Id.*

³⁶⁵ INREJUUL_00277080-INREJUUL_00277104.



313. This campaign expressly invokes combustible cigarettes and positions the JUUL as a technological upgrade for the modern smoker.

314. JLI rejected this approach.

315. Instead, in June of 2015, JLI launched the “Vaporized” advertising campaign.³⁶⁶ The express mission [REDACTED]

316. Applying the template for preying on teens established by the cigarette industry, the Vaporized campaign used stylish models, bold colors, and highlighted themes of sexual attractiveness, thinness, independence, rebelliousness and being “cool.”³⁶⁸

317. The targeting of young consumers was evident in the design and implementation of the Vaporized campaign, which featured models in their 20s whose “poses were often evocative of behaviors more characteristic of underage teen than mature adults.”³⁶⁹

³⁶⁶ Declan Harty, *JUUL Hopes to Reinvent E-Cigarette Ads with ‘Vaporized Campaign’*, AdAge (June 23, 2015), <http://adage.com/article/cmo-strategy/juul-hopes-reinvent-e-cigarette-ads-campaign/299142/>.

³⁶⁷ INREJUUL_00057291-INREJUUL_00057295.

³⁶⁸ See Appendix A, Advertisement 1 (example of targeting of young people).

³⁶⁹ *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of Robert K. Jackler, Professor, Stanford University),



<https://docs.house.gov/meetings/GO/GO05/20190724/109844/HHRG-116-GO05-Wstate-JacklerR-20190724.pdf>.

1 318. In the months leading up to the launch of JUUL e-cigarettes, [REDACTED]

2 [REDACTED] 370 [REDACTED]

3 [REDACTED] 371 [REDACTED]

4 [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]”³⁷² The Management Defendants knew that the ads targeted youth, but “Juul’s board of
8 directors signed off on the company’s launch plans[.]”³⁷³ In addition, “Monsees, who was CEO at the
9 time, personally reviewed images from the billboard photo shoot while it was in session.”³⁷⁴ A senior
10 manager later told the New York Times that “he and others in the company were well aware” that the
11 marketing campaign “could appeal to” teenagers.³⁷⁵

12 319. As part of the Vaporized campaign, JLI advertised on a 12-panel display over Times
13 Square.³⁷⁶ Billboard advertising of cigarettes has for years been unlawful under the Master Settlement
14 Agreement.
15

16

17

18

19

20

21 ³⁷⁰ INREJUUL_00371285.

22 ³⁷¹ INREJUUL_00371314.

23 ³⁷² INREJUUL_00174387.

24 ³⁷³ Ainsley Harris, *How Juul, founded on a life-saving mission, became the most embattled startup of*
25 *2018: E-cigarette startup Juul Labs is valued at more than \$16 billion. It’s also hooking teens on*
26 *nicotine and drawing scrutiny from the FDA. Can the company innovate its way out of a crisis it*
27 *helped create?*, Fast Company (Nov. 19, 2018), [https://www.fastcompany.com/90262821/how-juul-](https://www.fastcompany.com/90262821/how-juul-founded-on-a-life-saving-mission-became-the-most-embattled-startup-of-2018)
28 [founded-on-a-life-saving-mission-became-the-most-embattled-startup-of-2018](https://www.fastcompany.com/90262821/how-juul-founded-on-a-life-saving-mission-became-the-most-embattled-startup-of-2018).

³⁷⁴ *Id.*

³⁷⁵ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get ‘Customers for Life’?*, N.Y. Times
(Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html>.

³⁷⁶ See Appendix A, image 14; see also <https://inrejuul.myportfolio.com> (also available at
http://tobacco.stanford.edu/tobacco_main/subtheme_pods.php?token=fm_pods_mt068.php) (last
visited April 3, 2020) (additional images and videos).



320. [REDACTED]

[REDACTED] ³⁷⁷

321. In fact, JLI's Vaporized campaign was so effective that it gained national attention on an October 15, 2015 episode of Late Night with Stephen Colbert, who ridiculed the notion that the young, dancing models were consistent with a target market of adult smokers. As Colbert joked after viewing the close-up video of young models dancing in place, "[y]eah! There is something about vaping that just makes me want to dance in a way that doesn't require much lung strength. . . . And it's not just ads featuring hip young triangles that appeal to the youths. . . . There is no reason to worry about the long-term effects of vaping, because e-cigarettes are so new that their long-term effects are still unknown."³⁷⁸

³⁷⁷ INREJUUL_00093933-INREJUUL_00093934.

³⁷⁸ *The Late Show With Stephen Colbert: Vaping is So Hot Right Now*, YouTube (Oct. 7, 2015), https://www.youtube.com/watch?v=PMtGca_7leM.

322. The Vaporized campaign was not limited to the Times Square billboards however. The ads were also placed in nationally-distributed magazines, and the videos were displayed on screens at the top of point-of-sale JUUL kiosks provided by JUUL to retailers across the country.

323. To the extent that the Vaporized advertisements disclosed that JUUL contained nicotine, the warnings were in small print against low-contrast backgrounds, making them easy to overlook. By way of comparison, cigarette advertisements, are required to display a health warning in high contrast black and white, covering 20% of the image.

324. Likewise, JLI's social media ads did not disclose any health risks of using JUUL until May of 2018, when they were required to warn of addiction. But even then, JUUL placed these warnings in areas that were only viewable if the social media user clicked on the "full version" of the JLI post, which is not how teens typically engage with social media advertising.³⁷⁹ Notably, on Twitter, a social media platform that is geared towards reading text, and on Facebook, where some users do read text, JLI typically did not include the disclaimer in its advertisements at all.³⁸⁰

4. JLI Pushed the Vaporized Campaign Into Youth Targeted Channels.

a. JLI Placed Its Vaporized Ads on Youth Oriented Websites and Media.

325. JLI engaged programmatic media buyers to place advertisements on websites attractive to children, adolescents in middle school and high school, and underage college students. These advertisements, which included the images of models from the Vaporized campaign, began appearing on websites as early as June 2015. The chosen websites included: nickjr.com (the website for a children's television network run by Nickelodeon Group); the Cartoon Network's website at cartoonnetwork.com; allfreekidscrafts.com; hellokids.com; and kidsgameheroes.com.

326. A picture of the homepage of nickjr.com is below

³⁷⁹ See Appendix A, Advertisement 3.

³⁸⁰ See Appendix A, Advertisement 65; *see also* Juul Image Galleries (2015-2018) SRITA Collection, <https://inrejuul.myportfolio.com/twitter-1> (last visited Apr. 3, 2020).



327. JLI also purchased banner advertisements on websites providing games targeted to younger girls,³⁸¹ educational websites for middle school and high school students,³⁸² and other teen-targeted websites.³⁸³

328. JLI knew what it was doing. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]³⁸⁴ Nevertheless, JLI continued to push its campaign on websites with young demographics.

329. JLI promoted the Vaporized campaign on Facebook, Instagram, and Twitter.

330. JLI could have employed age-gating on its social media accounts to prevent underage consumers from viewing its Vaporized advertisements, but chose not to do so.

³⁸¹ The sites included dailydressupgames.com, didigames.com, forhergames.com, games2girls.com, girlgames.com, and girlsgogames.com.

³⁸² E.g., coolmath-games.com. JUUL also purchased advertisements on basic-mathematics.com, coolmath.com, math-aids.com, mathplayground.com, mathway.com, onlinemathlearning.com, and purplemath.com.

³⁸³ E.g., teen.com, seventeen.com, justjaredjr.com, and hireteen.com. JUUL purchased advertisements on websites for high school students hoping to attend college such as collegeconfidential.com and collegeview.com.

³⁸⁴ INREJUUL_00082179-INREJUUL_00082185.

331. The Vaporized campaign included the largest e-cigarette smartphone campaign of 2015, which accounted for 74% of all such smartphone advertising that year.

332. JLI promoted Vaporized through Vice Magazine, which bills itself as the “#1 youth media brand” in the world.³⁸⁵



333. By 2016, an estimated 20.5 million U.S. middle and high school students were exposed to advertisements for e-cigarettes, including JUUL.³⁸⁶

b. JLI Used Influencers and Affiliates to Amplify Its Message to a Teenage Audience.

334. JLI used [REDACTED]

[REDACTED]³⁸⁷ Influencers are prized sources of brand promotion on social media networks.

³⁸⁵ Kathleen Chaykowski, *The Disturbing Focus of Juul’s Early Marketing Campaigns*, Forbes (Nov. 16, 2018), <https://www.forbes.com/sites/kathleenchaykowski/2018/11/16/the-disturbing-focus-of-juuls-early-marketing-campaigns/#3da1e11b14f9>.

³⁸⁶ Kristy Marynak et al., *Exposure to Electronic Cigarette Advertising Among Middle and High School Students – United States, 2014-2016*, CDC: Morbidity and Mortality Weekly Report (Mar. 16, 2018), <https://www.cdc.gov/mmwr/volumes/67/wr/mm6710a3.htm>.

³⁸⁷ See INREJUUL 00091138 ([REDACTED])

1 335. Like its Vaporized campaign, [REDACTED]

2 [REDACTED]

3 [REDACTED]³⁸⁸ In keeping with this strategy, JLI targeted influencers that were young and popular with

4 adolescents. One influencer JLI targeted was Tavi Gevinson, who was nineteen years old in the

5 summer of 2015. The year before, Rolling Stone magazine described Gevinson as “possibly the most

6 influential 18-year-old in America.”³⁸⁹

7

8 336. JLI contracted with Grit to enlist influencers by sending them free JUUL e-cigarettes.

9 Documents obtained pursuant to a Congressional investigation show that in July 2015, JLI’s contract

10 with Grit was for services that included “Influencer Relations,” in which Grit agreed to provide two

11 “Social Buzzmakers” for six events within a four-week period, with each Social Buzzmaker having a

12 minimum of 30,000 followers and be active on at least two social media channels, such as Instagram,

13 Twitter, or Facebook. The contract provided that JLI would determine or approve the timing of the

14 Buzzmakers’ posts. In addition, JLI engaged Grit to “develop influencer engagement efforts to

15 establish a network of creatives to leverage as loyalists for Juul/Pax brand activations.”³⁹⁰

16

17 337. Grit provided free JUULs to Luka Sabbat, known as the “the Internet’s Coolest

18 Teenager,”³⁹¹ who was 17 years old during the summer of 2015.

19 338. [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]³⁹²

23 ³⁸⁸ INREJUUL_00057293.

24 ³⁸⁹ Alex Morris, *Tavi Gevinson: A Power Teen’s New Direction*, Rolling Stone (Aug. 14, 2014),

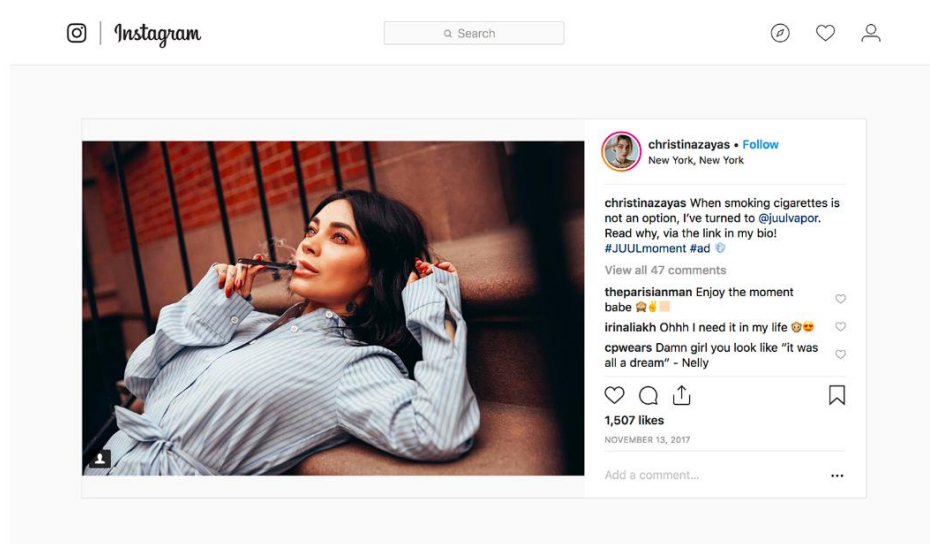
25 <https://www.rollingstone.com/culture/culture-features/tavi-gevinson-a-power-teens-new-direction-232286/>.

26 ³⁹⁰ Kenrick Cai, *Juul Funded High Schools, Recruited Social Media Influencers To Reach Youth, House Panel Charges*, Forbes (July 25, 2019),

27 <https://www.forbes.com/sites/kenrickcai/2019/07/25/juul-high-schools-influencers-reach-youth-house-investigation/#57735a4a33e2>. See JLI-HOR-00042050-052 at 050.

28 ³⁹¹ Alexis Barnett, *Who Is Luka Sabbat? Meet the Internet’s Coolest Teenager*, Complex (Aug. 17, 2015), <https://www.complex.com/style/luka-sabbat-interview-on-youth-kanye-west-and-fashion>.

339. JLI paid these social media influencers to post photos of themselves with JUUL devices and to use the hashtags that it was cultivating.³⁹³ One such influencer was Christina Zayas, whom JLI paid \$1,000 for just one blog post and one Instagram post in the fall of 2017.



340. JLI encouraged its distributors, wholesalers, and other resellers—either explicitly or implicitly—to hire affiliates and influencers to promote JLI’s brand and products. Even if not paid directly by JLI, these influencers profited from the promotion of JUUL products either because they were paid by JUUL resellers, JUUL accessory sellers, or sellers of JUUL-compatible products.

341. For example, one YouTube user Donnysmokes (Donny Karle, age twenty-one) created a JUUL promotional video in 2017 that garnered roughly 52,000 views, many of which were from users under the age of eighteen.³⁹⁴ Since that time, Karle has made a series of videos, including videos titled “How to hide your JUUL from your parents” and “How to HIDE & HIT Your JUUL at

³⁹² See, INREJUUL 00091141 ([REDACTED])

³⁹⁴ *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of Robert K. Jackler, Professor, Stanford University).
<https://docs.house.gov/meetings/GO/GO05/20190724/109844/HHRG-116-GO05-Wstate-JacklerR-20190724.pdf>.

SCHOOL WITHOUT Getting CAUGHT.”³⁹⁵ Karle has admitted to earning approximately \$1200 a month from unspecified sources simply from posting videos of himself consuming e-cigarettes, especially of JUUL products online.³⁹⁶



How to hide your JUUL from
your parents
DonnySmokes · 31K views ·
3 months ago



How To HIDE & HIT Your
JUUL at SCHOOL WITHOUT
Getting CAUGHT
DonnySmokes · 98K views ·
1 month ago

342. Karle also created a YouTube sensation called the “JUUL Challenge,” which is a play on the viral “Ice Bucket Challenge.” In the JUUL Challenge, the goal is to suck down as much nicotine as possible within a predetermined amount of time. The JUUL Challenge, which promotes nicotine abuse and adolescent use of JUUL products, went viral like the Ice Bucket Challenge it mimicked. Soon, youth across the country were posting their own JUUL Challenge videos, a practice that continues to this day on YouTube, Instagram, Snapchat and other social media platforms. In one recent JUUL Challenge on YouTube, which has received nearly 500,000 views, the two teenagers filming themselves discussing the hundreds of thousands of views their prior JUUL Challenge received and comment upon the “virality” of their JUUL Challenge content.³⁹⁷

343. JLI knowingly sought and accepted the benefits of viral marketing and user-generated content. For example, JLI was aware of Karle’s videos and his young followers. A sales representative

³⁹⁵ *Id.*

³⁹⁶ Allie Conti, *This 21-year-old is Making Thousands a Month Vaping on YouTube*, Vice (Feb. 5, 2018), https://www.vice.com/en_us/article/8xvjmk/this-21-year-old-is-making-thousands-a-month-vaping-on-youtube.

³⁹⁷ Nate420, JUUL Challenge (Apr. 22, 2018), https://youtu.be/gnM8hqW_2oo (last visited Mar. 30, 2020).

1 at JLI sent Karle a direct message on Twitter stating, “Thanks for the Juul plugs. There ya go. An
2 actual JUUL employee thanking you.”³⁹⁸

3 344. JLI also recruited “affiliates” to help its viral marketing [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 [REDACTED]³⁹⁹ JLI’s affiliates promoted JUUL on social media platforms including
8 YouTube, Instagram, Facebook, Snapchat, and Twitter and routinely failed to disclose that they were
9 being paid to promote JUUL products.

10 345. JLI’s “affiliate program” recruited those who authored favorable reviews of its products
11 by providing such reviewers with a 20% discount of purchases of JUUL products.⁴⁰⁰ It even recruited
12 JUUL users to act as part of their marketing team by asking users to “refer a friend and get a
13 discount.”⁴⁰¹
14

15 346. As with much of the marketing strategy for JUUL, the practices described above are
16 prohibited by the Master Settlement Agreement.

17 **c. JLI Used Viral Marketing Techniques Known to Reach Young People.**

18 347. JLI deployed “viral marketing” techniques to great success. Viral marketing is defined
19 as “marketing techniques that seek to exploit pre-existing social networks to produce exponential
20 increases in brand awareness, through processes similar to the spread of an epidemic.”⁴⁰² Viral
21 marketing effectively converts customers into salespeople, who, by sharing their use of a product (on
22

23 ³⁹⁸ Karle000009-011 at 009 (undated Twitter direct messages exchange).

24 ³⁹⁹ INREJUUL_00113437-INREJUUL_00113441.

25 ⁴⁰⁰ *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight*
26 *and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of Robert K
27 Jackler, Professor, Stanford University),
28 <https://docs.house.gov/meetings/GO/GO05/20190724/109844/HHRG-116-GO05-Wstate-JacklerR-20190724.pdf>.

⁴⁰¹ *Id.* at 9.

⁴⁰² N. Deepa et al., *Viral Marketing as an On-Line Marketing Medium*, IOSR J. of Bus. & Mgmt. 18,
(last visited Apr. 3, 2020); P. R. Datta et al., *Viral Marketing: New Form of Word-of-Mouth Through*
Internet, 3 The Bus. Rev. 69 (2005).

1 social media or otherwise), repeat a company's representations and endorse the product within their
 2 network. The success of viral marketing depends on peer-to-peer transmission. Hence, a successful
 3 viral marketing campaign looks like a series of unrelated, grassroots communications, when in fact
 4 they are the result of carefully orchestrated corporate advertising campaigns.

5 348. [REDACTED]

6 [REDACTED]⁴⁰³

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 [REDACTED]

11 [REDACTED]

12 [REDACTED]

13 [REDACTED]

14 349. Social media platforms are the most effective way to launch viral marketing campaigns
 15 among young people. As of May 2018, among teenagers, 95% reported use of a smart phone, 85% use
 16 YouTube, 72% use Instagram, and 45% reported being online "constantly."⁴⁰⁴

17 350. A key feature of JLI's viral marketing campaign was inviting user-generated content.
 18 This strategy revolves around prompting social media followers to provide their own JUUL-related
 19 content—*e.g.*, post a selfie in your favorite place to use JUUL. The response provided by a user is then
 20 typically distributed—by the social media platform employed—into the user's personal network. In
 21 this way, brands can infiltrate online communities with personalized content that promotes their
 22 product (*e.g.* a picture of a friend using a JUUL e-cigarette).⁴⁰⁵

23

24

25 ⁴⁰³ INREJUUL_00349529-560 at 541.

26 ⁴⁰⁴ Monica Anderson & Jingjing Jiang, *Teens, Social Media & Technology 2018: Appendix A: Detailed*
Tables, Pew Research Center (May 31, 2018),

27 <https://www.pewresearch.org/internet/2018/05/31/teens-technology-appendix-a-detailed-tables/>.

28 ⁴⁰⁵ *The Rise in the Use of Juul Among Young People: The Power of Design and Social Media*
Marketing, Campaign for Tobacco Free Kids,

https://www.tobaccofreekids.org/assets/images/content/JUUL_Presentation.pdf.



351. Within a few months of the JLI's commercial release in June 2015, a former JLI executive reportedly told the New York Times that JLI "quickly realized that teenagers were, in fact, using [JUULs] because they posted images of themselves vaping JUULs on social media."⁴⁰⁶

352. To drive consumer participation in its ad campaign, JLI peppered its advertising and social media posts with hashtags, including those referencing JLI and consuming e-cigarettes (e.g., #juul, #juulvapor, #switchtojuul, #vaporized, #juulnation, #juullife, #juulmoment); and trending topics unrelated to JUUL, as well as topics #mothersday, #goldenglobes, #nyc, etc. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

⁴⁰⁶ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get 'Customers for Life'?*, N.Y. Times (Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html>.

⁴⁰⁷ INREJUUL_00093294.

1 353. JLI's hashtags attracted an enormous community of youthful posts on a wide array of
2 subjects. According to Dr. Jackler, #Juul contains literally thousands of juvenile postings, and
3 numerous Instagram hashtags contain the JUUL brand name.⁴⁰⁸

4 354. Just as JLI intended, JUUL users began taking photos of themselves using JUUL
5 devices and putting them on social media with the hashtag #juul. They were creating JUUL content
6 that looked and felt like real JUUL ads: featuring young people having fun and using JUUL. The
7 flavor-based hashtag campaigns #MangoMonday and #coolmint generated hundreds of thousands of
8 user-generated posts. JLI could have stepped in and attempted to stop the use of its trademark in posts
9 directed to underage audiences, including the use of all the hashtags that contain the word "JUUL." It
10 could have sought to shut down infringing accounts such as @doit4juul and @JUULgirls. It did not do
11 so.
12

13 **5. JLI Targeted Youth Retail Locations.**

14 355. Studies show that tobacco use is associated with exposure to retail advertising and
15 relative ease of in-store access to tobacco products. Some studies have shown that youth who were
16 frequently exposed to point of sale tobacco marketing were twice as likely to try or initiate smoking
17 than those who were not as frequently exposed.
18

19 356. For years, JLI made it difficult for smoke shops and other age-restricted stores to carry
20 its products, instead directing its product to gas stations and convenience stores, which historically
21 make the most underage sales. JLI knows that nicotine-naïve young people frequent gas stations and
22 convenience stores rather than smoke shops. By distributing in those kinds of stores, JUUL increased
23 the likelihood that these people would purchase its product.
24

25 357. JLI marketed its products extensively in convenience stores, employing video and
26 product displays with bright colors and young adults using and displaying the JUUL device. The retail
27
28

1 marketing worked and, by late 2017, JUUL became the most popular e-cigarette sold in convenience
2 stores according to Nielsen data.⁴⁰⁹

3 358. Like all in-store cigarette advertising, JLI's point-of-sale materials played a major role
4 in driving youth addiction. JLI actively encouraged youth to seek out these laxly regulated retail
5 locations, sending marketing e-mails to hundreds of thousands of customers, referring them to the
6 JUUL store locator and offering discounts. And JLI actively encouraged its retailers to leniently
7 regulate sales to youth by providing profit margins that far exceeded any other tobacco product being
8 sold.
9

10 359. Before JUUL's launch in 2015, JLI and Cult Collective developed packaging and in-
11 store displays that looked similar to iPhone packaging, which JLI knew would resonate with young
12 people and further JLI's campaign to be the "the iPhone of e-cigarettes."
13

14 360. [REDACTED]
15 [REDACTED]
16 [REDACTED]⁴¹⁰
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]
21 [REDACTED]
22 [REDACTED]
23 [REDACTED]
24 [REDACTED]
25 [REDACTED]
26 [REDACTED]

27 ⁴⁰⁹ Laura Bach, *JUUL and Youth: Rising E-Cigarette Popularity*, Campaign for Tobacco-Free Kids
28 (July 6, 2018), <https://www.tobaccofreekids.org/assets/factsheets/0394.pdf>.

⁴¹⁰ INREJUUL_00370796-INREJUUL_00370806, 805.

6. JLI Hosted Parties to Create a Youthful Brand and Gave Away Free Products to Get New Consumers Hooked.

361. JLI also sponsored at least twenty-five live social events for its products in California, Florida, New York, and Nevada. The invitations to JUUL's events did not indicate that the JUUL was intended for cigarette smokers, contained nicotine, or was addictive.⁴¹¹ Instead, the invitations traded on PAX Lab, Inc.'s (PAX) reputation as a manufacturer of marijuana vaporizers and promised attendees "free #JUUL starter kit[s]," live music, or slumber parties.⁴¹² Photographs from these events indicate that they drew a youthful crowd. Product promotion through sponsored events was a long-standing practice for cigarette companies, but is now prohibited.



⁴¹¹ See Appendix A, Advertisements 78-81.

⁴¹² *Id.*



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362. At these live social events, JLI gave attendees free JUUL “Starter Kits,” which contain a JUUL device and 4 JUUL pods of various flavors. JLI gave away samples at music events without age restrictions, including Outside Lands in San Francisco’s Golden Gate Park, and other events aimed at a youthful audience, such as the annual Cinespia “Movies All Night Slumber Party” in Los Angeles. These events, in addition to providing youthful crowds for handing out samples, were opportunities for JLI to cultivate its brand image as youthful, hip, and trendy—but had nothing to do with smoking

cessation. For example, on August 7, 2015, JLI tweeted, “Need tix for @cinespia 8/15? We got you. Follow us and tweet #JUULallnight and our faves will get a pair of tix!”⁴¹³

363. Giving away free samples is prohibited conduct for a cigarette company under the Master Settlement Agreement.

364. As part of the Vaporized campaign, JLI also emulated trendy pop-up restaurants and stores by using a shipping container “pop-up JUUL bar” at festivals and events in the Los Angeles and New York City metro areas. The firm BeCore designed and created the container for JLI, and managed it as a mobile JUUL product sampling lounge.⁴¹⁴



Juul's container bar

415

365. JLI also held sampling events in stores. [REDACTED]

[REDACTED].⁴¹⁶ Documents obtained by the New York Attorney General show that JLI recruited young “brand ambassadors” to staff these

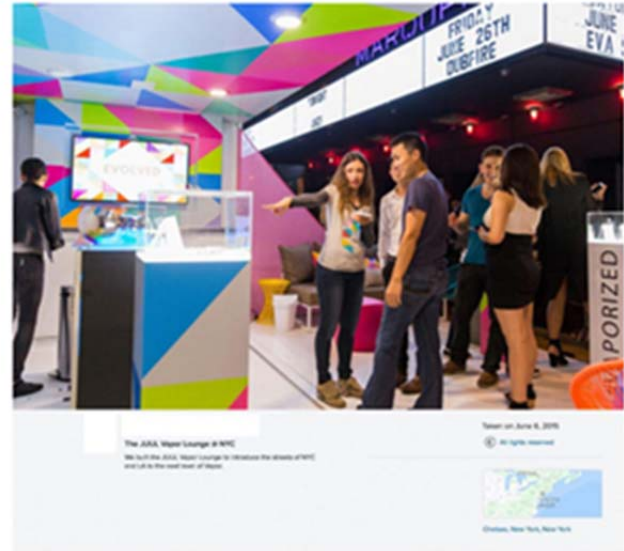
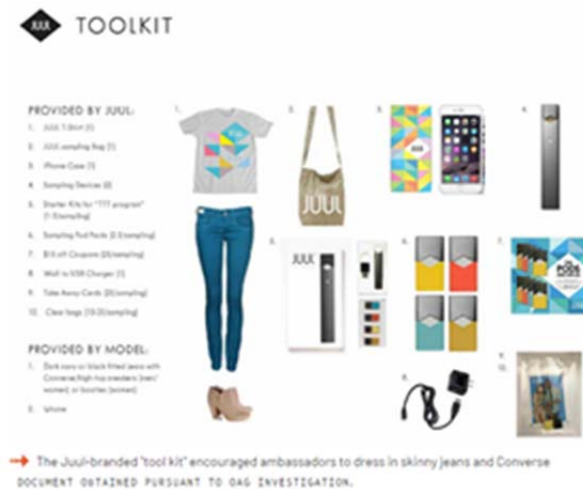
⁴¹³ JUUL Labs, Inc. (@JUULvapor), Twitter (Aug. 7, 2015), http://tobacco.stanford.edu/tobacco_web/images/pod/juul/twitter/large/twitter_18.jpg.

⁴¹⁴ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising 9 (Jan. 31, 2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

⁴¹⁵ Declan Harty, *JUUL Hopes to Reinvent E-Cigarette Ads with ‘Vaporized Campaign’*, AdAge (June 23, 2015), <http://adage.com/article/cmo-strategy/juul-hopes-reinvent-e-cigarette-ads-campaign/299142/>.

⁴¹⁶ INREJUUL_00160394.

events and required a dress code that included skinny jeans, high-top sneakers or booties, and an iPhone in a JUUL-branded case.⁴¹⁷



366. JLI also engaged PUSH Agency, LLC (“PUSH”), a promotional model and event staffing agency, to provide models and brand ambassadors to hand out coupons in trendy areas of New York City popular with young people. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] 418

367. Though JLI publicly acknowledged in October 2017 that it is unlawful to distribute free samples of its products at live events,⁴¹⁹ it continued to reach out to new users by offering samples,

⁴¹⁷ Jake Offenhartz, *Juul Hooked Teens Through Sick Parties and Hip Ambassadors, NY AG Says*, Gothamist (Nov. 19, 2019 2:02 PM), <https://gothamist.com/news/juul-hooked-teens-through-sick-parties-and-hip-ambassadors-ny-ag-says>; Kathleen Chaykowski, *The Disturbing Focus of Juul’s Early Marketing Campaigns*, Forbes (Nov. 16, 2018 2:38 PM), <https://www.forbes.com/sites/kathleenchaykowski/2018/11/16/the-disturbing-focus-of-juuls-early-marketing-campaigns/#3da1e11b14f9>.

⁴¹⁸ INREJUUL_00158794-803 at 794.

⁴¹⁹ See Nik Davis (@bigbabynik), Twitter (Nov. 17, 2017 1:11 PM), <https://twitter.com/JLIvapor/status/931630885887266816>; Robert K. Jackler, *The Role of the Company in the Juul Teen Epidemic*, Testimony for the House Subcommittee on Economic and Consumer Policy (Jul. 24, 2019),

1 sometimes at \$1 “demo events.” Like so many of JLI’s initiatives, promotions of this kind are
 2 prohibited for cigarette companies by the Master Settlement Agreement.

3 368. The effect—and purpose—of JLI’s Vaporized giveaways was to flood major cities with
 4 products that would hook thousands of new users, and to generate buzz for the brand among urban
 5 trendsetters who would then spread JLI’s message to their friends via word of mouth and social media.
 6

7 369. According to BeCore, one of the firms responsible for designing and implementing
 8 JLI’s live events, JLI distributed the nicotine-equivalent of approximately 500,000 packs of cigarettes
 9 at all twenty-five events.⁴²⁰ And this was just to get people started.

10 **7. The Management Defendants’ Direction and Participation in the Youth Marketing**
 11 **Schemes**

12 **a. The Management Defendants, and in particular Bowen, Monsees, Pritzker,**
 13 **Huh, and Valani, oversaw the youth marketing scheme.**

14 370. The Management Defendants were well aware that JUUL branding was oriented toward
 15 teens and duplicated earlier efforts by the cigarette industry to hook children on nicotine. The
 16 Management Defendants directed and approved JUUL branding to be oriented toward teenagers. [REDACTED]

17 [REDACTED]

18 [REDACTED]

19 [REDACTED]⁴²¹, [REDACTED]

20 [REDACTED]

21 371. After launch, executives and directors discussed whether to rein in the advertising to
 22 teenagers. [REDACTED]
 23

24
 25 <https://docs.house.gov/meetings/GO/GO05/20190724/109844/HHRG-116-GO05-Wstate-JacklerR-20190724.pdf>.

26 ⁴²⁰ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford
 Research Into the Impact of Tobacco Advertising 9 (Jan. 31, 2019),

27 http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

28 ⁴²¹ *Examining JLI’s Role in the Youth Nicotine Epidemic: Part II: Hearing Before the Subcomm. on Econ. & Consumer Policy of the Comm. on Oversight & Reform, H.R.*, 116th Cong. 70 (2019) (statement of James Monsees, Co-Founder, JUUL Labs, Inc.).

1 [REDACTED]⁴²² [REDACTED]
2 [REDACTED]
3 [REDACTED]⁴²³ [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]⁴²⁴ [REDACTED]
9 [REDACTED]
10 [REDACTED]⁴²⁵ [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]⁴²⁶ [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]⁴²⁷

19 372. But some company leaders, including Huh, opposed any actions to curb youth sales.
20 Youth sales were a large potential source of revenue.⁴²⁸ As one manager explained, perhaps “people
21 internally had an issue” with sales of JUULs to teenagers, “[b]ut a lot of people had no problem with
22
23

24 _____
25 ⁴²² JLI00206239.

26 ⁴²³ JLI00214617.

27 ⁴²⁴ *Id.*

28 ⁴²⁵ *Id.*

⁴²⁶ *Id.*

⁴²⁷ *Id.*

⁴²⁸ Chris Kirkham, *Juul Disregarded Early Evidence it was Hooking Teens*, Reuters (Nov. 5, 2019),
<https://www.reuters.com/investigates/special-report/juul-ecigarette/>.

500 percent year-over-year growth.”⁴²⁹ And company leaders understood that teenagers who were hooked on nicotine were the most likely segment to become lifelong addicts and thus were the most profitable customers to target.⁴³⁰

373. In October 2015, JLI leadership resolved the debate in favor of selling to teens. [REDACTED]

[REDACTED]
[REDACTED]⁴³¹

374. [REDACTED]

[REDACTED]
[REDACTED]
[REDACTED]⁴³² [REDACTED]
[REDACTED]
[REDACTED]⁴³³ [REDACTED]

[REDACTED]⁴³⁴ Pax Labs modified the age verification system so that 92% of users were able to pass the age gate.⁴³⁵ By changing the age verification process so that users were more likely to pass— [REDACTED]—Pax Labs deliberately chose to continue selling to underage purchasers.

375. [REDACTED]

⁴²⁹ *Id.*

⁴³⁰ *Id.*

⁴³¹ The Vaporized advertising campaign continued at least into early 2016. Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising 7 (Jan. 31, 2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf.

⁴³² INREJUUL_00276445.

⁴³³ Native attachment to INREJUUL_00078494.

⁴³⁴ JLI00068428.

⁴³⁵ Kate Horowitz’s LinkedIn profile, <https://www.linkedin.com/in/k8horowitz> (last visited Apr. 22, 2020) (stating that while serving as an Ecommerce Product Manager at PAX Labs, Inc. from July 2015 to May 2016, she “increased success rate of age verification by 25%, up from 74% to 92%”).

[REDACTED]

[REDACTED]⁴³⁶ But JLI did not run this campaign then and in fact did not begin focusing its advertising on switching from combustible cigarettes until 2018.⁴³⁷

376. By March 2016, however, JLI employees internally recognized that JLI's efforts to market to children were too obvious. [REDACTED]

[REDACTED]⁴³⁸ [REDACTED]

[REDACTED]⁴³⁹

[REDACTED]⁴⁴⁰ [REDACTED]

[REDACTED]⁴⁴¹ [REDACTED]

[REDACTED]⁴⁴² Around this time, Pax Labs reoriented its JUUL advertising from the explicitly youth-oriented Vaporized campaign to a more subtle approach to appeal to the young. The advertising's key themes continued to include pleasure/relaxation, socialization/romance, and

⁴³⁶ JLI00214617.

⁴³⁷ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising (Jan. 31, 2019), http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf at 16.

⁴³⁸ INREJUUL_00178377.

⁴³⁹ INREJUUL_00061469.

⁴⁴⁰ INREJUUL_00178379.

⁴⁴¹ INREJUUL_00178384.

⁴⁴² INREJUUL_00061274.

1 flavors⁴⁴³—all of which still appealed to teenagers, as was made clear in the previous litigation against
 2 the cigarette industry.

3 377. The Management Defendants continued to direct and approve misleading marketing
 4 campaigns long after launch. For example, JLI deceptively marketed mint to youth, through flavor-
 5 driven advertising, hashtag campaigns, and ads cross-promoting mango and mint. Through their
 6 positions on the JLI Board of Directors, the Management Defendants were directly responsible for this
 7 marketing, as they had “final say” over all of JLI’s marketing activities.⁴⁴⁴ In other words, JLI and the
 8 Management Defendants controlled the messaging around JUUL products.

9 378. Notably, none of JLI’s early advertisements, including those of the “Vaporized”
 10 campaign and others targeted to youths, disclosed that JUUL contains high amounts of nicotine;
 11 indeed, many of those advertisements did not advertise JUUL’s nicotine content whatsoever.

12 379. Likewise, none of JLI’s advertisements, including those of the “Vaporized” campaign
 13 and others targeted to youths, disclosed the health risks from consuming JUUL products.

14 380. JLI and the Management Defendants knew of course that JUUL contained an ultra-high
 15 concentration of nicotine, and that ultra-high concentration of nicotine was designed to addict. They
 16 also knew that e-cigarette products, including JUUL, would expose users to increased health risks,
 17 including risks to their lungs and cardiovascular system. Despite that knowledge, JLI and the
 18 Management Defendants took affirmative actions, the natural consequence of which was the approval
 19 and transmission of these false and misleading advertisements that did not include a disclosure of
 20 JUUL’s high nicotine content and concentration, nor any health risks at all.

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 24
 25
 26 ⁴⁴³ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford
 Research Into the Impact of Tobacco Advertising (Jan. 31, 2019),
http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf at 9.

27 ⁴⁴⁴ *Examining JLI’s Role in the Youth Nicotine Epidemic: Part II: Hearing Before the Subcomm. on*
 28 *Econ. & Consumer Policy of the Comm. on Oversight & Reform, H.R.*, 116th Cong. 70 (2019)
 (statement of James Monsees, CPO, JLI Labs).

b. Pritzker, Huh, and Valani Were Able to Direct and Participate in the Youth Marketing Because They Seized Control of the JLI Board of Directors.

381. Although Defendants Bowen and Monsees were the visionaries behind JLI and the most hands-on in its early stages, by the time JLI was pushing its marketing campaigns in early-to mid-2015, JLI (through the individuals running the company), Bowen, Monsees, Pritzker, Huh, and Valani were each intimately involved in the planning and execution of activities.

382. For example, [REDACTED]

[REDACTED]⁴⁴⁵ [REDACTED]

383. But the Management Defendants at this point were taking actions that went beyond the regular and legitimate business operations of JLI. At the same time [REDACTED]

[REDACTED]⁴⁴⁶

384. And at the same time the Management Defendants had approved the early JLI marketing campaigns that were intentionally targeting youth, the Management Defendants were planning a fundamental shift in roles to allow Defendants Pritzker, Huh, and Valani to take charge of the instrumentalities of JLI, including its employees and resources.

385. Specifically, in October 2015, Monsees stepped down from his role as Chief Executive Officer of JLI (to become Chief Product Officer) and, in his stead, Pritzker, Huh, and Valani formed an Executive Committee of the JLI Board of Directors that would take charge of fraudulently marketing JUUL products, including to youth. The Management Defendants, and in particular Huh, wanted to

⁴⁴⁵ INREJUUL_00056077 [Confidential].

⁴⁴⁶ *Id.*

1 continue their fraudulent marketing, knowing that these ads were also targeted to youth, “argu[ing] that
2 the company couldn’t be blamed for youth nicotine addiction[.]”⁴⁴⁷

3 386. JLI’s organizational charts later reflected the executive committee in the place of a
4 CEO. [REDACTED]

5 [REDACTED]⁴⁴⁸

6 387. [REDACTED]

7 [REDACTED]⁴⁴⁹

8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]
12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 388. [REDACTED]

22 [REDACTED]

23 [REDACTED]⁴⁵⁰ [REDACTED]

26 ⁴⁴⁷ Chris Kirkham, *Juul Disregarded Early Evidence it was Hooking Teens*, Reuters (Nov. 5, 2019),
27 <https://www.reuters.com/investigates/special-report/juul-ecigarette/>.

28 ⁴⁴⁸ See INREJUUL_00016456 [REDACTED].

⁴⁴⁹ INREJUUL_00278332 [REDACTED]; INREJUUL_00061420 [REDACTED]

⁴⁵⁰ See INREJUUL_00278406 *et seq.* ([REDACTED]); INREJUUL_00278410 *et seq.* ([REDACTED]).

⁴⁵¹ Also, [REDACTED]

[REDACTED]⁴⁵²

Additionally, [REDACTED]

[REDACTED]⁴⁵³ [REDACTED]

[REDACTED]

389. Similarly, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁴⁵⁴

390. Over the next year, until the installation of a new CEO in August 2016, Defendants Pritzker, Huh, and Valani used their newly formed Executive Committee to expand the number of addicted e-cigarette users through fraudulent advertising and representations to the public. They cleaned house at JLI by “dismiss[ing] other senior leaders and effectively tak[ing] over the company.”⁴⁵⁵ [REDACTED]

[REDACTED]⁴⁵⁶ Despite any potential internal misgivings about their fraudulent conduct, notably, none of Management Defendants terminated their relationship with JLI during this time period.

⁴⁵¹ See INREJUUL_00278404 *et seq.* [REDACTED]; INREJUUL_00278402 *et seq.* ([REDACTED]).

⁴⁵² INREJUUL_00278405 [REDACTED]

⁴⁵³ *Id.*

⁴⁵⁴ INREJUUL_00061856.

⁴⁵⁵ Julie Creswell & Sheila Kaplan, *How Juul Hooked a Generation on Nicotine*, N.Y. Times (Nov. 24, 2019), <https://www.nytimes.com/2019/11/23/health/juul-vaping-crisis.html>.

⁴⁵⁶ INREJUUL_00278359.

8. JLI and the Management Defendants Knew Their Efforts Were Wildly Successful in Building a Youth Market and Took Coordinated Action to Ensure That Youth Could Purchase JUUL Products.

a. JLI's Strategy Worked.

391. The Management Defendants knew that the JUUL marketing campaigns they directed and approved were successful in targeting youth. As Reuters has reported, “the first signs that JUUL had a strong appeal to young people came almost immediately after the sleek device went on sale in 2015 Employees started fielding calls from teenagers asking where they could buy more JUULs, along with the cartridge-like disposable ‘pods’ that contain the liquid nicotine.”⁴⁵⁷ A former senior manager told the New York Times that “[s]ome people bought more JLI kits on the company’s website than they could individually use—sometimes 10 or more devices.” He added that “[f]irst, they just knew it was being bought for resale,” but later “when they saw the social media, in fall and winter of 2015, they suspected it was teens.”⁴⁵⁸ Adam Bowen admitted that “he was aware early on of the risks e-cigarettes posed to teenagers[.]”⁴⁵⁹ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]”⁴⁶⁰ It was common knowledge within JLI that JUULs were being sold to children.

392. After the Vaporized campaign, retail stores began selling out of JUUL products, and JLI had a difficult time trying to meet demand coming from its online ordering platform.

⁴⁵⁷ Chris Kirkham, *Juul Disregarded Early Evidence it was Hooking Teens*, Reuters (Nov. 5, 2019), <https://www.reuters.com/investigates/special-report/juul-ecigarette/>.

⁴⁵⁸ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get ‘Customers for Life’?: The e-cigarette company says it never sought teenage users, but the F.D.A. is investigating whether Juul intentionally marketed its devices to youth*, NY Times (Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html>.

⁴⁵⁹ *Id.*

⁴⁶⁰ INREJUUL_00339938 (emphasis added).

393. Furthermore, it was obvious to those outside the company that JLI was selling JUUL products to children. In June 2015, reporting on the “Vaporized” campaign that accompanied the JUUL launch, AdAge reported that John Schachter, director of state communications for Campaign for Tobacco-Free Kids, “expressed concern about the JUUL campaign because of the youth of the men and women depicted in the campaign, especially when adjoined with the design” and added that there had been “obvious trends that appeal to adolescents in e-cigarette campaigns[.]”⁴⁶¹ Robert Jackler, a Stanford physician who investigated JLI’s launch campaign, concluded that “JLI’s launch campaign was patently youth-oriented.”⁴⁶² JLI’s commercials’ attempts to appeal to teenagers were so obvious that, by October 2015, Stephen Colbert ran a satirical segment on it that noted, among other things: “And it’s not just ads featuring hip young triangles that appeal to the youths; so do vape flavors like cotton candy, gummi bear, and skittles.”⁴⁶³

394. Moreover, the Management Defendants knew that kids were marketing JLI products on social media, and some even sought to take advantage of that to build the JLI brand. For example, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁴⁶⁴ [REDACTED]

[REDACTED]⁴⁶⁵

⁴⁶¹ Declan Harty, *JUUL Hopes to Reinvent E-Cigarette Ads with ‘Vaporized Campaign’*, AdAge (June 23, 2015), <http://adage.com/article/cmo-strategy/juul-hopes-reinvent-e-cigarette-ads-campaign/299142/>.

⁴⁶² Erin Brodwin, *See how Juul turned teens into influencers and threw buzzy parties to fuel its rise as Silicon Valley’s favorite e-cig company*, Bus. Insider (Nov 26, 2018), <https://www.businessinsider.com/stanford-juul-ads-photos-teens-e-cig-vaping-2018-11>.

⁴⁶³ *The Late Show with Stephen Colbert: Vaping is So Hot Right Now*, YOUTUBE (Oct. 7, 2015), https://www.youtube.com/watch?v=PMtGca_7leM. The “triangles” ad was a JUUL ad; the listed flavors were not, but JUUL also had flavors that appealed to children.

⁴⁶⁴ JLI00382271.

⁴⁶⁵ *Id.*

b. JLI Closely Tracked Its Progress in Reaching Young Customers through Social Media and Online Marketing.

395. Tracking the behaviors and preferences of youth that are under twenty-one, and especially those under eighteen, has long been essential to the successful marketing of tobacco products. Whether the activity is called “tracking” or “targeting,” the purpose has always been the same: getting young people to start smoking and keeping them as customers.

396. As early as 1953, Philip Morris was gathering survey data on the smoking habits of “a cross section of men and women 15 years of age and over.”⁴⁶⁶ Commenting on these data, George Weissman, then-Vice President of Philip Morris, observed that “we have our greatest strength in the 15-24 age group.”⁴⁶⁷

397. Traditional approaches to youth tracking (*e.g.*, interviews conducted face-to-face or over the telephone) were limited, however, in that they often failed to capture data from certain subsets of the target market. As a Philip Morris employee noted in a June 12, 1970 memorandum, Marlboro smokers were “among the types of young people our survey misses of necessity (on campus college students, those in the military and those under 18 years of age).”⁴⁶⁸

398. However, modern technology has removed many of the hurdles that made youth tracking difficult in decades past. With e-mail, social media and online forums, JLI can track, and has consistently tracked and monitored its target youth market, including those below the minimum legal age to purchase or use JUUL products.

399. Using the tools available to it, JLI would have known that its viral marketing program was a resounding success, and in particular with young people.

⁴⁶⁶ Philip Morris Vice President for Research and Development, *Why One Smokes*, First Draft, 1969, Autumn (Minnesota Trial).

⁴⁶⁷ *United States v. Philip Morris*, 449 F. Supp. 2d 1, 581 (D.D.C. 2006).

⁴⁶⁸ *Id.*

400. Between 2015 and 2017, JUUL-related posts on Twitter increased quadratically, which is the exact result to be expected from an effective viral marketing campaign.⁴⁶⁹ Its growth on Instagram was likely even more rapid.

401. A 2018 study of JLI's sales and presence on social media platforms found that JLI grew nearly 700%, yet spent "no recorded money" in the first half of 2017 on major advertising channels, and spent only \$20,000 on business-to-business advertising.⁴⁷⁰ Despite JLI's apparently minimal advertising spend in 2017, the study found a significant increase in JUUL-related tweets in 2017.⁴⁷¹

402. On Instagram, the study found seven JUUL-related accounts, including DoIt4JUUL and JUUL.girls, which accounted for 4,230 total JUUL-related posts and had more than 270,000 followers.⁴⁷²

403. In addition to JUUL's explosive growth on individual social media platforms, the study found JUUL products being marketed across platforms in an apparently coordinated fashion, including smaller targeted campaigns and affiliate marketing, all of which caused the authors to question whether JLI was paying for positive reviews and JUUL-related social media content.

404. The lead author of the study concluded that JLI was "taking advantage" of the reach and accessibility of multiple social media platforms to "target the youth and young adults . . . because there are no restrictions," on social media advertising.⁴⁷³

405. Similarly, an account named @JUULnation was established on Instagram and posted tips on how to conceal JUUL devices in school supplies. The account also ridiculed efforts to combat

⁴⁶⁹ See Brittany Emelle, et al., *Mobile Marketing of Electronic Cigarettes in the U.S.*, (May 2017), <https://www.slideshare.net/YTHorg/mobile-marketing-of-electronic-cigarettes>.

⁴⁷⁰ Jidong Huang et al., *Vaping versus JUULing: how the extraordinary growth and marketing of JUUL transformed the US retail e-cigarette market*, TOBACCO CONTROL (May 31, 2018), <https://tobaccocontrol.bmj.com/content/28/2/146.full>.

⁴⁷¹ *Id.*

⁴⁷² *Id.*

⁴⁷³ Laura Kelly, *JUUL Sales Among Young People Fueled by Social Media, Says Study*, The Wash. Times (June 4, 2018), <https://www.washingtontimes.com/news/2018/jun/4/juul-sales-among-young-people-fueled-by-social-med/>.

JUUL use in schools, promoted videos of JUUL influencers, and promoted videos like the “JUUL Challenge,” in which users inhale as much JUUL nicotine vapor as possible in a fixed period of time. JLI repeatedly used the hashtag “#JUULnation” on posts on its own Instagram account, for example when advertising its “Cool Mint” JUULpods, [REDACTED], or party mode.⁴⁷⁴

406. A separate study of e-cigarette advertising on mobile devices, where young people spend most of their day consuming media, found that 74% of total advertising impressions were for JUUL products.⁴⁷⁵

407. A 2019 study found that as much as half of JUUL’s Twitter followers were aged thirteen to seventeen.⁴⁷⁶

408. A 2019 study characterizing JUUL-related Instagram posts between March and May 2018 found that among nearly 15,000 relevant posts from over 5,000 unique Instagram accounts, more than half were related to youth or youth lifestyle.⁴⁷⁷

409. Some Twitter users have reported what appear to be JUUL bots.⁴⁷⁸ Other Twitter users appear to either be bot accounts or native advertisers, in that they have a small number of followers, follow few other users, and post exclusively about JUUL content.⁴⁷⁹

410. By April 2018, searching “JUUL” on YouTube yielded 137,000 videos with forty-three videos having over 100,000 views.⁴⁸⁰ Of these, a huge number were plainly related to underage use,

⁴⁷⁴ JLI00682401-484 at 428, 444, 451; *see also* Stanford University, *Research into the Impact of Tobacco Advertising*,

http://tobacco.stanford.edu/tobacco_web/images/pod/juul/instagram/large/ig_11.jpg; Stanford University, *Research into the Impact of Tobacco Advertising*,

http://tobacco.stanford.edu/tobacco_web/images/pod/juul/instagram/large/ig_12.jpg.

⁴⁷⁵ *See* Brittany Emelle et al., *Mobile Marketing of Electronic Cigarettes in the U.S.*, Truth Initiative (May 2017), <https://www.slideshare.net/YTHorg/mobile-marketing-of-electronic-cigarettes>.

⁴⁷⁶ Steven Reinberg, *Study: Half of Juul's Twitter followers are teens, young adults*, HealthDay News, (May 20, 2019) https://www.upi.com/Health_News/2019/05/20/Study-Half-of-Juuls-Twitter-followers-are-teens-young-adults/1981558384957/.

⁴⁷⁷ Lauren Czaplicki et al., *Characterising JUUL-related posts on Instagram*, Truth Initiative (Aug. 1, 2019), <https://tobaccocontrol.bmj.com/content/early/2019/07/30/tobaccocontrol-2018-054824>.

⁴⁷⁸ One example of what appear to be JUUL bots in action on Twitter is available at: <https://twitter.com/search?q=juul%20bot&src=typd> (last visited Apr. 4, 2020).

⁴⁷⁹ Hennrythejuul (@hennrythejuul), Twitter (Mar. 4, 2020, 9:35 am) <https://twitter.com/hennrythejuul>.

including: 1,730 videos on “hiding JUUL in school,” 789 on “JUUL in school bathroom,” 992 on “hiding JUUL at home,” and 241 on “hiding JUUL in Sharpie.”⁴⁸¹

411. In 2018, JLI was internally collecting hundreds of social media posts—directed at JLI—informing it of JUUL’s wild popularity with young people and in many cases requesting that JLI do something to stop it.⁴⁸²

9. JLI Coordinated with Veratad Technologies To Expand Youth Access to JUUL Products.

412. At the same time JLI and the Management Defendants were taking coordinated actions to maintain and expand the number of nicotine-addicted e-cigarette users in order to ensure a steady and growing customer base through unlawful marketing and distribution activities, they were coordinating with an outside entity—Veratad Technologies LLC—to get JUULs into the hands of the largest number of consumers possible.

413. JLI’s website, including its online store, was pivotal to these efforts. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].⁴⁸³

⁴⁸⁰ Divya Ramamurthi et al., *JUUL and Other Stealth Vaporizers: Hiding the Habit from Parents and Teachers, Tobacco Control* 2019, Stanford Univ. (Sept. 15, 2018), <https://www.ncbi.nlm.nih.gov/pubmed/30219794>.

⁴⁸¹ *Id.*

⁴⁸² Complaint at 60, *People v. JUUL Labs, Inc.*, No. RG19043543 (Super. Ct. of Cal. Nov. 18, 2019), <https://oag.ca.gov/system/files/attachments/press-docs/91186258.pdf>.

⁴⁸³ INREJUUL_00329660.

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13 414. JLI coordinated with Veratad to provide age verification services for its website from
14 2015 to 2018. Veratad has also provided age verification services to other e-cigarette sellers, including
15 Lorillard⁴⁸⁴ [REDACTED].⁴⁸⁵ Consistent with the claim on Veratad's website that "*You can create your*
16 *own verification rules,*" the company encouraged sellers like JLI to set the desired compliance level for
17 age verification. As a member of a major e-cigarette trade organization, Veratad also offered insight
18 into what competitors were doing, and offered to "guide your setup to follow industry best
19 practices for age verification."
20

21 415. Though it is illegal to sell and ship e-cigarettes to minors under both state and federal
22 law, JLI and Veratad designed and implemented an age verification system designed to maximize the
23 number of prospective purchasers who "pass" the process rather than to minimize the number of
24 underage sales.⁴⁸⁶ As a result of these intentionally permissive age verification practices, JLI and
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26 ⁴⁸⁴ Staff of Sen. Richard Durbin et al., 113th Cong., *Gateway to Addiction?* (Apr. 14, 2014),
27 <https://www.durbin.senate.gov/imo/media/doc/Report%20-%20E-Cigarettes%20with%20Cover.pdf>.

28 ⁴⁸⁵ INREJUUL_00174362.

⁴⁸⁶ Complaint at 165, *People v. JUUL Labs, Inc.*, No. RG19043543 (Super. Ct. of Cal. Nov. 18, 2019),
<https://oag.ca.gov/system/files/attachments/press-docs/91186258.pdf>.

1 Veratad used online payment systems and the US mails to ship tens of millions of dollars of JUULpods
2 to unverified customers, many of whom were minors.

3 416. From June 2015 through the end of 2018, the age verification process on JLI's website
4 typically prompted prospective purchasers to submit their name, address, and date of birth, which JLI
5 forwarded to Veratad. Veratad then attempted to match all or some limited part of the consumer's
6 information to a person of the minimum legal sales age in its database. If Veratad was able to locate a
7 sufficient match of the prospective purchaser to a person of the minimum legal sales age in its
8 database, then it would return a "pass" result to JLI. If Veratad was unable to make such a match,
9 Veratad returned a "fail" result to JLI.
10

11 417. If Veratad returned a "fail" result to JLI, rather than decline the prospective purchaser,
12 JLI would prompt the person to enter an "alternate" address. If Veratad still could not find a match
13 based on this alternate address, JLI would prompt the consumer to enter the last four digits of his or her
14 social security number.
15

16 418. If Veratad, supplied with the last four digits of a consumer's social security number,
17 still could not match the consumer to a person of the minimum legal sales age in its database, JLI
18 would prompt the consumer to upload an image or photograph of his or her driver's license or another
19 governmental identification document. A JLI employee would then conduct a personal review of the
20 image and decide whether the consumer was of the minimum legal sales age.
21

22 419. Crucially, Veratad's age verification system was purposefully flexible, so JLI and
23 Veratad could work together to decide just how closely a prospective purchaser's personal information
24 had to match records in Veratad's database in order to "pass" the age verification process. JLI and
25 Veratad could also set, or modify, the applicable minimum legal sales age to be used for verification.
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420. By the fall of 2015, JLI and Veratad knew that bulk purchases were being made for resale on JLI's website by minors and for resale to minors.⁴⁸⁷ For example, [REDACTED]

[REDACTED] 488 [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] 489 [REDACTED]

[REDACTED]

[REDACTED] 490

[REDACTED] 491

421. Veratad also knew or should have known that JUUL products were being widely used by minors. Veratad also knew that some underage users were able to purchase JUUL through JLI's website using the age verification parameters that were in place. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] 492 [REDACTED]

[REDACTED]

[REDACTED] 493

⁴⁸⁷ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get 'Customers for Life'? : The e-cigarette company says it never sought teenage users, but the F.D.A. is investigating whether Juul intentionally marketed its devices to youth*, NY Times (Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html>.

⁴⁸⁸ INREJUUL_00300253-258 at 257.

⁴⁸⁹ *Id.* at 256.

⁴⁹⁰ *Id.*

⁴⁹¹ *Id.* at 253.

⁴⁹² INREJUUL_00209176-180 at 176.

⁴⁹³ *Id.*

1 422. Nevertheless, [REDACTED]

2 [REDACTED].⁴⁹⁴ JLI repeatedly sought, and Veratad repeatedly
 3 recommended and directed, changes to the age verification process so that more prospective JUUL
 4 purchasers would “pass.” Both did so in an effort to increase direct sales of JLI’s e-cigarettes without
 5 regard to whether it’s less stringent age verification process would permit more underage consumers to
 6 purchase them.
 7

8 423. Between June 2015 and August 2017 (and perhaps even through early 2018), JLI and
 9 Veratad tailored the age verification system to “pass” prospective purchasers even if certain portions of
 10 the purchaser’s personal information—*e.g.*, the purchaser’s street address or date of birth—did not
 11 match the information corresponding to a person of the minimum legal sales age in Veratad’s
 12 database.⁴⁹⁵
 13

14 424. Similarly, between June 2015 and August 2017, JLI and Veratad tailored the system to
 15 “pass” a prospective purchaser under certain circumstances even when the prospective purchaser’s
 16 year of birth did not match the information corresponding to a person of the minimum legal sales age
 17 in Veratad’s database.

18 425. JLI and Veratad sought to increase “pass” rates by modifying the age verification
 19 system to allow users multiple opportunities to change their personal information if a match was not
 20 initially found in an appropriate government database. A Veratad Performance Report from August 5,
 21 2017 shows that, for 1,963 consumers Veratad recorded 3,794 transactions—an average of 1.93
 22

23 ⁴⁹⁴ INREJUUL_00276489-INREJUUL_00276490.

24 ⁴⁹⁵ Complaint at 43, *People v. JUUL Labs, Inc.*, No. RG19043543 (Super. Ct. of Cal. Nov. 18, 2019),
 25 <https://oag.ca.gov/system/files/attachments/press-docs/91186258.pdf>. A January 29, 2018 email
 26 exchange between Tom Canfarotta, Director of Strategic Accounts & Client Quality Services at
 27 Veratad, and Annie Kennedy, JUUL’s Compliance Manager, reveals this to have been the case.
 28 Kennedy asked Canfarotta why a particular customer had “passed via the address step (public record
 check)...but we’ve since learned that is not a correct address—so we’re curious as to how it passed.”
 In response, Canfarotta wrote, “Your current rule set does not require a full address match.” He went
 on to explain that approval of the customer was not an anomaly or a mistake; instead, Veratad’s age
 verification system was working exactly the way it was designed.

1 attempts per consumer.⁴⁹⁶ Only 966 consumers—less than half—passed age verification on the first
 2 attempt.⁴⁹⁷ By allowing consumers to alter their personal information and attempt age verification up
 3 to three times, JLI was able to increase its database match pass rate from 49.2% to 61.2%.⁴⁹⁸

4 426. [REDACTED]
 5 [REDACTED]
 6 [REDACTED]
 7 [REDACTED]
 8 [REDACTED]⁴⁹⁹

9 427. [REDACTED]
 10 [REDACTED]
 11 [REDACTED]

12 428. [REDACTED]
 13 [REDACTED]⁵⁰⁰ Customer service representatives

14 would go so far as to alter identifying information for them; a Slack chat among customer service
 15 representatives confirmed that representatives were authorized to “adjust the street address, apartment
 16 number, or zip code” associated with shipment.⁵⁰¹

17 429. The age verification procedures designed by JLI and Veratad have allowed hundreds of
 18 thousands of e-cigarette products to be sold and/or delivered to fictitious individuals at fictitious
 19 addresses.⁵⁰² Many of these improper sales may have been made to underage purchasers or to resellers
 20 who sold the products to underage consumers on the grey market.⁵⁰³
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 22
 23

24 ⁴⁹⁶ *Id.*

25 ⁴⁹⁷ *Id.*

26 ⁴⁹⁸ *Id.*

27 ⁴⁹⁹ INREJUUL_00184119.

28 ⁵⁰⁰ INREJUUL_00215324-INREJUUL_00215325.

⁵⁰¹ Complaint at 168, *People v. JUUL Labs, Inc.*, No. RG19043543 (Super. Ct. of Cal. Nov. 18, 2019),
<https://oag.ca.gov/system/files/attachments/press-docs/91186258.pdf>.

⁵⁰² *Id.* at 138.

⁵⁰³ *Id.*

430. By divorcing the address from the other customer data in the age verification process, JLI and Veratad allowed consumers to request that tobacco products be sent to locations other than their permanent legal residences.⁵⁰⁴ For example, JLI sent thousands of orders to commercial high rises and office parks.⁵⁰⁵ It is unlikely these orders would have been approved had JLI and Veratad required that addresses provided by users match information in an appropriate government database and followed the requirement that the shipping address and billing address be the same.⁵⁰⁶

431. The failure of the JLI/Veratad age verification procedure was intentional.⁵⁰⁷ And despite JLI and Veratad's concerted effort to enable the sale of federally regulated tobacco products to minors,

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁵⁰⁸ [REDACTED]

[REDACTED].⁵⁰⁹ Similarly, a JLI spokesperson told a reporter at a New York newspaper, *AMNY*, that JLI uses “industry-leading ID match and age verification technology to ensure that customers” are over twenty-one years of age and that the “information is verified against multiple databases.”⁵¹⁰

⁵⁰⁴ *Id.* at 146

⁵⁰⁵ *Id.* at 147.

⁵⁰⁶ *Id.*

⁵⁰⁷ *Id.* at 173.

⁵⁰⁸ INREJUUL00178123-24. INREJUUL00178123-24 [REDACTED]

[REDACTED]

⁵⁰⁹ INREJUUL_00264882-84.

⁵¹⁰ Alison Fox, ‘Juul’ e-cigarettes require stronger FDA regulation, *Schmuer Says*, *AMNY*, (Oct. 15, 2017), <https://www.amny.com/news/juul-e-cigarettes-fda-regulation-1-14485385/>.

1 432. In August 2017, JLI responded to public scrutiny by publicly stating that it would
2 increase the purchase age on its website to 21+ by August 23, 2017. [REDACTED]

3 [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]
9 [REDACTED]
10 [REDACTED]
11 [REDACTED]

Sunday Savings

1 message

JUUL <hello@juulvapor.com>
 Reply-To: JUUL <hello@juulvapor.com>
 To:

Sun, Aug 20, 2017 at 7:48 PM

Experience the easiest way to enjoy JUUL, and save 15% on each and every purchase.

JUUL

**Save 15%
Today**

SAVE NOW

Try Auto-Ship for free shipping and 15% savings
on each and every JUUL order.

**Save Money**Enjoy 15% savings
on JUULpods.**Free Delivery**JUULpods delivered to
your door every month.**Cancel Anytime**No contracts.
No stress.

Mango



Cool Mint



Virginia Tobacco



Fruit Medley



Citrus Bliss

**5 Great
Flavors To
Choose From**

SHOP JUULPODS >

Changes to JUUL Minimum Age Policy

Starting this Wednesday 8/23/17, the minimum age to purchase
products on JUULvapor.com will be 21+.
Existing age-verified Auto-Ship subscribers will not be impacted by this change.

Need Help?

Contact JUUL Support
Live support is available everyday, 6am-10pm PT.

JUULVAPOR



JUUL

A&P addresses to: 817

JUULVAPOR.COM

JUUL @JUULvapor · 28 Jul 2017
 #ICYMI: Mango is now in Auto-ship! Get the #JUULpod flavor you love delivered
 & save 15%. Sign up today: bit.ly/2su3cXJ



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433. Further underscoring their common purpose of growing the e-cigarette market, even if that meant selling to youth, JLI and Veratad did not require that the year of birth and last four digits of the social security number match exactly the information corresponding to a person of the minimum legal sales age in Veratad's database until August 2018.

434. [REDACTED]

435. Despite JLI's knowledge that it had been coordinating with Veratad to ensure minors could purchase JUUL products online, JLI continued to make false and fraudulent statements about the strength of its age verification system. For example, on June 5, 2018, JLI tweeted about its relationship with Veratad, claiming that "We've partnered with Veratad Technologies to complete a public records search, only reporting back whether or not you are 21 years of age or older."⁵¹¹ In addition, on November 13, 2018, JLI and the Managements Defendants caused a post to appear on JLI's website stating that JLI was "Restricting Flavors to Adults 21+ On Our Secure Website" and that JLI's age-verification system was "an already industry-leading online sales system that is restricted to 21+ and utilizes third party verification."⁵¹² A video accompanying this message stated "At JUUL labs we're committed to leading the industry in online age verification security to ensure that our products don't end up in the hands of underage users" and included an image of a computer with a chain wrapped around it and locked in place.⁵¹³ These statements were fraudulent because JLI and the Management Defendants were and had been coordinating with Veratad to ensure that their age verification system did not actually prevent youth from purchasing JUUL products.

⁵¹¹ JUUL Labs, Inc. (@JUULvapor), Twitter (June 5, 2018), <https://twitter.com/juulvapor/status/1004055352692752386>.

⁵¹² *JUUL Labs Action Plan* ("November 2018 Action Plan"), JUUL Labs, Inc. (Nov. 12, 2018), <https://newsroom.juul.com/juul-labs-action-plan/> (last visited Apr. 30, 2020).

⁵¹³ *Id.*

1 436. Not only did JLI and Veratad’s efforts result in more sales to minors, it also allowed JLI
2 to build a marketing email list that included minors—a data set that would prove highly valuable to
3 Altria.

4 437. In the summer of 2017, JLI engaged a company called Tower Data to determine the
5 ages of the persons associated with email addresses on its email marketing list. According to this
6 analysis, approximately 269,000 email addresses on JLI’s email marketing list were not associated
7 with a record of an individual who had “passed” JLI’s age verification process.⁵¹⁴ Additionally,
8 approximately 40,000 email addresses on JLI’s email marketing list were associated with records of
9 individuals who had “failed” JLI’s own age verification process.⁵¹⁵ Tower Data informed JLI that 83%
10 of the approximately 420,000 email addresses on JLI’s marketing list could not be matched with the
11 record of an individual at least eighteen years of age.⁵¹⁶

12 438. Despite knowing that their marketing list included minors, JLI continued to use that
13 marketing list to sell JUUL products, and then shared that list with Altria to use for its marketing
14 purposes.

15 439. JLI and the Management Defendants knew, however, that it was not enough to
16 disseminate advertisements and marketing materials that promote JLI to youth or to open online sales
17 to youth, while omitting mention of JUUL’s nicotine content and manipulated potency. To truly
18 expand the nicotine market, they needed to deceive those purchasing a JUUL device and JUULpods as
19 to how much nicotine they were actually consuming. And, through Defendants Pritzker, Huh, and
20 Valani’s control of JLI’s Board of Directors, they did just that.

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25 ⁵¹⁴ Complaint at 121, *Commonwealth of Massachusetts v. Juul, et al.*, No. 20-00402 (Super. Ct. of
26 Mass. Feb. 12, 2020) <https://www.mass.gov/doc/juul-complaint/download>; Janice Tan, *E-cigarette*
27 *firm JUUL sued for using programmatic buying to target adolescents*, Marketing (Feb. 14, 2020),
28 [https://www.marketing-interactive.com/e-cigarette-firm-juul-sued-for-using-programmatic-buying-](https://www.marketing-interactive.com/e-cigarette-firm-juul-sued-for-using-programmatic-buying-to-target-adolescents)
[to-target-adolescents](https://www.marketing-interactive.com/e-cigarette-firm-juul-sued-for-using-programmatic-buying-to-target-adolescents).

⁵¹⁵ *Id.*

⁵¹⁶ *Id.*

1 **10. JLI Engaged in a Sham “Youth Prevention” Campaign.**

2 440. By April 2017, JLI had determined that the publicity around its marketing to children
3 was a problem. [REDACTED]

4 [REDACTED]
5 [REDACTED],⁵¹⁷ [REDACTED]
6 [REDACTED]⁵¹⁸ While ostensibly aimed at reducing youth sales, JLI’s youth prevention program
7 actually served to increase, not reduce, sales to children.
8

9 441. [REDACTED]
10 [REDACTED].⁵¹⁹ JLI paid schools for access to their students during school time, in summer school, and
11 during a Saturday School Program that was billed as “an alternative to ‘traditional discipline’ for
12 children caught using e-cigarettes in school.”⁵²⁰ JLI created the curriculum for these programs, and,
13 like the “Think Don’t Smoke” campaign by Philip Morris, which “insidiously encourage[d] kids to use
14 tobacco and become addicted Philip Morris customers[,]”⁵²¹ JLI’s programs were shams intended to
15 encourage youth e-cigarette use, not curb it. According to testimony before Congress, during at least
16 one presentation, “[n]o parents or teachers were in the room, and JUUL’s messaging was that the
17 product was ‘totally safe.’ The presenter even demonstrated to the kids how to use a JUUL.”⁵²²
18 Furthermore, JLI “provided the children snacks” and “collect[ed] student information from the
19 sessions.”⁵²³
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23 _____
24 ⁵¹⁷ INREJUUL_00264878; see also INREJUUL_00265042 [REDACTED]
25 [REDACTED].

26 ⁵¹ See, e.g., INREJUUL_00211242.

27 ⁵¹⁹ INREJUUL_00173409.

28 ⁵²⁰ Subcommittee on Economic and Consumer Policy Memo (July 25, 2019).

⁵²¹ William V. Corr, *American Legacy Foundation Study Shows Philip Morris 'Think Don't Smoke' Youth Anti-Smoking Campaign is a Sham*, Campaign for Tobacco Free Kids (May 29, 2002),
https://www.tobaccofreekids.org/press-releases/id_0499.

⁵²² Subcommittee on Economic and Consumer Policy Memo (July 25, 2019).

⁵²³ *Id.*

442. The problems with JLI's youth prevention programs were widespread. According to outside analyses, "the JUUL Curriculum is not portraying the harmful details of their product, similar to how past tobacco industry curricula left out details of the health risks of cigarette use."⁵²⁴ Although it is well-known that teaching children to deconstruct ads is one of the most effective prevention techniques, JLI programs entirely omitted this skill, and JLI's curriculum barely mentioned JUUL products as among the potentially harmful products to avoid.⁵²⁵ As one expert pointed out, "we know, more from anecdotal research, that [teens] may consider [JUULs] to be a vaping device, but they don't call it that. So when you say to a young person, 'Vapes or e-cigarettes are harmful,' they say, 'Oh I know, but I'm using a JUUL.'"⁵²⁶

443. Internal emails confirm both that JLI employees knew about the similarities of JLI's "youth prevention program" to the earlier pretextual antismoking campaigns by the cigarette industry and that JLI management at the highest levels was personally involved in these efforts. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁵²⁷ [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]⁵²⁹ [REDACTED]

[REDACTED]

⁵²⁴ Victoria Albert, *Juul Prevention Program Didn't School Kids on Dangers, Expert Says: SMOKE AND MIRRORS. JUUL—which made up 68 percent of the e-cigarette market as of mid-June—seems to have taken a page from the playbook of Big Tobacco*, The Daily Beast (Oct. 19, 2018), <https://www.thedailybeast.com/juul-prevention-program-didnt-school-kids-on-dangers-expert-says>.

⁵²⁵ *Id.*

⁵²⁶ *Id.*

⁵²⁷ INREJUUL_00197608.

⁵²⁸ INREJUUL_00197607.

⁵²⁹ INREJUUL_00196624.

1 [REDACTED].⁵³⁰ The paper concluded that “the Philip Morris campaign had a counterproductive
2 influence.”⁵³¹

3 444. JLI also bought access to teenagers at programs outside of school. For example, [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]
7 [REDACTED]
8 [REDACTED]

9 [REDACTED].⁵³² Similarly, [REDACTED]
10 [REDACTED].⁵³³ [REDACTED]⁵³⁴

11 [REDACTED]. JLI paid nearly 70% of the cost of
12 hiring eight teachers, eight instructional aides, and three other support personnel for the program.⁵³⁵
13

14 445. [REDACTED]
15 [REDACTED].⁵³⁶ [REDACTED]
16 [REDACTED]⁵³⁷ Eventually,
17 JLI ended this version of the youth prevention program, but the damage had been done: following the
18 playbook of the tobacco industry, JLI had hooked more kids on nicotine.
19
20

21 ⁵³⁰ INREJUUL_00265202.

22 ⁵³¹ Matthew C. Farrelly et al., *Getting to the Truth: Evaluating National Tobacco Countermarketing Campaigns*, 92 Am. J. Public Health 901 (2002).

23 ⁵³² JLI-HOR-00002181–00002182.

24 ⁵³³ INREJUUL_00194247; Invoice to JUUL Labs from The Freedom & Democracy Schools, Inc. for \$134,000, (June 21, 2018), <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/JLI-HOR-00003711.pdf>.

25 ⁵³⁴ INREJUUL_0019428.

26 ⁵³⁵ The Freedom & Democracy Schools, Inc., *Proposal to JUUL Labs for Funding the Healthy Life Adventures Summer Pilot* (June 9, 2018),
27 https://oversight.house.gov/sites/democrats.oversight.house.gov/files/JLI-HOR-00002789_Redacted.pdf.

28 ⁵³⁶ INREJUUL_00194646.

⁵³⁷ INREJUUL_00194646.

1 446. The Board was intimately involved in these “youth prevention” activities. For example,

2 [REDACTED]

3 [REDACTED] p.538

4 **11. The FDA Warned JLI and Others That Their Conduct is Unlawful.**

5 447. Throughout 2018, the FDA put JLI and others in the e-cigarette industry on notice that
6 their practices of marketing to minors needed to stop. It issued a series of warnings letters and
7 enforcement actions:

8 448. On February 24, 2018, the FDA sent a letter to JLI expressing concern about the
9 popularity of its products among youth and demanding that JLI produce documents regarding its
10 marketing practices.⁵³⁹

11 449. In April 2018, the FDA conducted an undercover enforcement effort, which resulted in
12 fifty-six warning letters issued to online retailers, and six civil money complaints to retail
13 establishments, all of which were related to the illegal sale of e-cigarettes to minors.⁵⁴⁰ Manufacturers
14 such as JLI were also sent letters requesting documents regarding their marketing and sales methods.⁵⁴¹

15 450. In May 2018, the FDA again issued more warning letters to manufacturers, distributors,
16 and retailers of e-liquids for labeling and advertising violations; these labels and advertisements
17 targeted children and resembled children’s food items such as candy or cookies.⁵⁴²

18 451. In September 2018, the FDA engaged in several other regulatory enforcement actions,
19 issuing over 1300 warning letters and civil money complaints to e-cigarette and e-liquid retailers and
20 distributors.⁵⁴³

21
22
23
24 ⁵³⁸ JLI00151300.

25 ⁵³⁹ Matthew Holman, *Letter from Director of Office of Science, Center for Tobacco Products, to Zaid*
26 *Rouag, at JUUL Labs, Inc.*, U.S. FDA (Apr. 24, 2018),
27 <https://www.fda.gov/media/112339/download>.

28 ⁵⁴⁰ *Enforcement Priorities for Electronic Nicotine Delivery Systems (ENDS) and Other Deemed*
Products on the Market Without Premarket Authorization, U.S. FDA (Jan. 2020),
<https://www.fda.gov/media/133880/download>.

⁵⁴¹ *Id.*

⁵⁴² *Id.*

1 452. On September 12, 2018, the FDA sent letters to JLI and other e-cigarette manufacturers
 2 putting them on notice that their products were being used by youth at disturbing rates.⁵⁴⁴ The FDA
 3 additionally requested manufacturers to enhance their compliance monitoring mechanisms, implement
 4 stricter age verification methods, and limit quantities and volume of e-cigarette products that could be
 5 purchased at a time.⁵⁴⁵

7 453. Finally, in October 2018, the FDA raided JLI's headquarters and seized more than a
 8 thousand documents relating to JLI's sales and marketing practices.⁵⁴⁶ Since then, the FDA, the
 9 Federal Trade Commission, multiple state attorneys general and the U.S. House of Representatives
 10 Committee on Oversight and Reform have all commenced investigations into JLI's role in the youth e-
 11 cigarette epidemic and whether JLI's marketing practices purposefully targeted youth.

13 454. Siddharth Breja, who was senior vice president for global finance at JLI, "claims that
 14 after the F.D.A. raided Juul headquarters in October 2018, seeking internal documents, Mr. Burns
 15 instructed Mr. Breja and other executives not to put anything relating to regulatory or safety issues in
 16 writing, so that the F.D.A. could not get them in the future."⁵⁴⁷

21 ⁵⁴³ *Id.*

22 ⁵⁴⁴ *Letter from US FDA to Kevin Burns*, U.S. FDA (Sept. 12, 2018),
<https://www.fda.gov/media/119669/download>.

23 ⁵⁴⁵ Press Release, *FDA takes new steps to address epidemic of youth e-cigarette use, including a*
 24 *historic action against more than 1,300 retailers and 5 major manufacturers for their roles*
 25 *perpetuating youth access*, US FDA (Sept. 11, 2018), [https://www.fda.gov/news-events/press-](https://www.fda.gov/news-events/press-announcements/fda-takes-new-steps-address-epidemic-youth-e-cigarette-use-including-historic-action-against-more)
[announcements/fda-takes-new-steps-address-epidemic-youth-e-cigarette-use-including-historic-](https://www.fda.gov/news-events/press-announcements/fda-takes-new-steps-address-epidemic-youth-e-cigarette-use-including-historic-action-against-more)

26 ⁵⁴⁶ Laurie McGinley, *FDA Seizes Juul E-Cigarette Documents in Surprise Inspection of Headquarters*,
 27 *Wash. Post* (Oct. 2, 2018), [https://www.washingtonpost.com/health/2018/10/02/fda-seizes-juul-e-](https://www.washingtonpost.com/health/2018/10/02/fda-seizes-juul-e-cigarette-documents-surprise-inspection-headquarters/)
[cigarette-documents-surprise-inspection-headquarters/](https://www.washingtonpost.com/health/2018/10/02/fda-seizes-juul-e-cigarette-documents-surprise-inspection-headquarters/).

28 ⁵⁴⁷ Sheila Kaplan & Jan Hoffman, *Juul Knowingly Sold Tainted Nicotine Pods, Former Executive Say*,
N.Y. Times (Nov. 20, 2019), [https://www.nytimes.com/2019/10/30/health/juul-pods-](https://www.nytimes.com/2019/10/30/health/juul-pods-contaminated.html)
[contaminated.html](https://www.nytimes.com/2019/10/30/health/juul-pods-contaminated.html).

1 **12. In Response to Regulatory Scrutiny, Defendants Misled the Public, Regulators,**
2 **and Congress that JLI Did Not Target Youth.**

3 455. To shield their youth-driven success from scrutiny, Altria, JLI, and the Management
4 Defendants' had a long-running strategy to feign ignorance over JLI and the Management Defendants'
5 youth marketing efforts and youth access to JLI's products. They were well aware that JLI's conduct in
6 targeting underage users was reprehensible and unlawful, and that if it became widely known that this
7 was how JLI obtained its massive market share, there would be a public outcry and calls for stricter
8 regulation or a ban on JLI's products. Given the increasing public and regulatory scrutiny of JLI's
9 market share and marketing tactics, a dis-information campaign was urgently needed to protect
10 Defendants' bottom line. For this reason, JLI, the Management Defendants, and Altria all hid JLI's
11 conduct by vociferously denying that JLI had marketed to and targeted youth and instead falsely
12 claimed that JLI engaged in youth prevention. Defendants continued to make these statements while
13 and after actively and successfully trying to market to and recruit youth non-smokers. These false
14 statements were designed to protect JLI's market share, and Altria's investment, by concealing JLI's
15 misconduct.
16

17 456. For example, after eleven senators sent a letter to JLI questioning its marketing
18 approach and kid-friendly e-cigarette flavors like Fruit Medley, Creme Brulee and Mango, JLI visited
19 Capitol Hill and told Senators that it never intended its products to appeal to kids and did not realize
20 youth were using its products, according to a staffer for Senator Richard Durbin (D-Ill.). JLI's
21 statements to Congress—which parallel similar protests of innocence by tobacco company
22 executives—were false.
23

24 457. JLI also engaged in wire fraud when it made public statements seeking to disavow the
25 notion that it had targeted and sought to addict teens:
26
27
28

- 1 • “It’s a really, really important issue. **We don’t want kids using our products.**” (CNBC
2 Interview of JLI’s Chief Administrative Officer, December 14, 2017);⁵⁴⁸
- 3 • “We market our products responsibly, following strict guidelines to have material
4 directly **exclusively toward adult smokers and never to youth audiences.**” (JLI
5 Social Media Post, March 14, 2018);⁵⁴⁹
- 6 • “Our company’s mission is to eliminate cigarettes and **help the more than one billion
7 smokers worldwide switch to a better alternative,**” said JUUL Labs Chief Executive
8 Officer Kevin Burns. “We are already seeing success in our efforts to enable adult
9 smokers to transition away from cigarettes and believe our products have the potential
10 over the long-term to contribute meaningfully to public health in the U.S. and around
11 the world. At the same time, we are committed to deterring young people, as well as
12 adults who do not currently smoke, from using our products. **We cannot be more
13 emphatic on this point: No young person or non-nicotine user should ever try
14 JUUL.**” (JLI Press Release, April 25, 2018);⁵⁵⁰
- 15 • “Our objective is to provide the 38 million American adult smokers with **meaningful
16 alternatives to cigarettes while also ensuring that individuals who are not already
17 smokers, particularly young people, are not attracted to nicotine products such as
18 JUUL,**” said JUUL Labs Chief Administrative Officer Ashley Gould, who heads the
19 company’s regulatory, scientific and youth education and prevention programs. “We
20 want to be a leader in seeking solutions, and are actively engaged with, and listening
21 to, community leaders, educators and lawmakers on how best to effectively keep
22 young people away from JUUL.” (JLI Press Release, April 25, 2018);⁵⁵¹
- 23 • “Of course, we understand that **parents and lawmakers are concerned about
24 underage use of JUUL. As are we.** We can’t restate this enough. As an independent
25 company that is not big tobacco, we are driven by our mission and commitment to adult
26 smokers.” (JLI CEO Kevin Burns Letter to JUUL Community on Reddit, July 18,
27 2018);⁵⁵²
- 28 • “We welcome the opportunity to work with the Massachusetts Attorney General
because, **we too, are committed to preventing underage use of JUUL.** We utilize
stringent online tools to block attempts by those under the age of 21 from purchasing
our products, including unique ID match and age verification technology. Furthermore,

⁵⁴⁸ Angelica LaVito, *Nearly one-quarter of teens are using pot*, CNBC (Dec. 14, 2017),
<https://www.cnn.com/2017/12/13/marijuana-and-nicotine-vaping-popular-among-teens-according-to-study.html> (Interview with Ashley Gould, JUUL Chief Administrative Officer) (emphasis added).

⁵⁴⁹ Robert K. Jackler et al., *JUUL Advertising Over Its First Three Years on the Market*, Stanford Research Into the Impact of Tobacco Advertising 15 (Jan. 31, 2019),
http://tobacco.stanford.edu/tobacco_main/publications/JUUL_Marketing_Stanford.pdf (citing a JUUL social media post from March 14, 2018) (emphasis added).

⁵⁵⁰ JUUL Labs, Inc., *JUUL Labs Announces Comprehensive Strategy to Combat Underage Use*, MarketWatch (Apr. 25, 2018), <https://www.marketwatch.com/press-release/juul-labs-announces-comprehensive-strategy-to-combat-underage-use-2018-04-25> (emphasis added).

⁵⁵¹ *Id* (emphasis added).

⁵⁵² *A Letter to the JUUL Community from CEO Kevin Burns*, Reddit (July 18, 2018),
https://www.reddit.com/r/juul/comments/8zvlbh/a_letter_to_the_juul_community_from_ceo_kevin/
(emphasis added).

we have never marketed to anyone underage. Like many Silicon Valley technology startups, our growth is not the result of marketing but rather a superior product disrupting an archaic industry. When adult smokers find an effective alternative to cigarettes, they tell other adult smokers. That’s how we’ve gained 70% of the market share. . . . Our ecommerce platform utilizes unique ID match and age verification technology to make sure minors are not able to access and purchase our products online.” (Statement from Matt David, JLI Chief Communications Officer, July 24, 2018);⁵⁵³

- “**We did not create JUUL to undermine years of effective tobacco control, and we do not want to see a new generation of smokers.** . . . We want to be part of the solution to end combustible smoking, not part of a problem to attract youth, never smokers, or former smokers to nicotine products. . . . We adhere to strict guidelines to ensure that our marketing is directed towards existing adult smokers.” (JLI’s website as of July 26, 2018);⁵⁵⁴
- “We don’t want anyone who doesn’t smoke, or already use nicotine, to use JUUL products. We certainly don’t want youth using the product. It is bad for public health, and it is bad for our mission. JUUL Labs and FDA share a common goal – preventing youth from initiating on nicotine. . . . **Our intent was never to have youth use JUUL products.**” (JLI Website, November 12, 2018);⁵⁵⁵
- “To paraphrase Commissioner Gottlieb, **we want to be the offramp for adult smokers** to switch from cigarettes, not an on-ramp for America’s youth to initiate on nicotine.” (JLI Website, November 13, 2018);⁵⁵⁶
- “Any underage consumers using this product are absolutely a negative for our business. We don’t want them. **We will never market to them. We never have.**” (James Monsees, quoted in *Forbes*, November 16, 2018);⁵⁵⁷
- “First of all, I’d tell them that I’m sorry that their child’s using the product. **It’s not intended for them.** I hope there was nothing that we did that made it appealing to them. As a parent of a 16-year-old, I’m sorry for them, and I have empathy for them, in terms

⁵⁵³ *Statement Regarding The Press Conference Held By The Massachusetts Attorney General*, JUUL Labs, Inc. (July 24, 2018), <https://newsroom.juul.com/statement-regarding-the-press-conference-held-by-the-massachusetts-attorney-general/> (emphasis added).

⁵⁵⁴ *Our Responsibility*, JUUL Labs, Inc. (July 26, 2018), <https://web.archive.org/web/20180726021743/https://www.juul.com/our-responsibility> (last visited Mar. 29, 2020) (emphasis added).

⁵⁵⁵ *JUUL Labs Action Plan*, JUUL Labs, Inc. (Nov. 13, 2018), <https://newsroom.juul.com/juul-labs-action-plan/> (statement of Ken Burns, former CEO of JUUL) (emphasis added).

⁵⁵⁶ *Id.* (emphasis added).

⁵⁵⁷ Kathleen Chaykowski, *The Disturbing Focus of Juul’s Early Marketing Campaigns*, *Forbes* (Nov. 16, 2018 2:38 PM), <https://www.forbes.com/sites/kathleenchaykowski/2018/11/16/the-disturbing-focus-of-juuls-early-marketing-campaigns/#3da1e11b14f9> (emphasis added) (statement of James Monsees).

of what the challenges they're going through." (CNBC Interview of JLI CEO, July 13, 2019);⁵⁵⁸

- "We have **no higher priority than to prevent youth usage of our products** which is why we have taken aggressive, industry leading actions to combat youth usage." (JLI Website, August 29, 2019);⁵⁵⁹
- James Monsees, one of the company's co-founders, said **selling JUUL products to youth was "antithetical to the company's mission."**(James Monsees' Statement to New York Times, August 27, 2019);⁵⁶⁰
- Adam Bowen, one of the company's co-founders, said he was aware early on of the risks e-cigarettes posed to teenagers, and the **company had tried to make JUUL "as adult-oriented as possible."**(Adam Bowen's Statement to the New York Times, August 27, 2019);⁵⁶¹
- **"We have never marketed to youth and we never will."**(JLI Statement to Los Angeles Times, September 24, 2019);⁵⁶²
- "I have long believed in a future where adult smokers overwhelmingly choose alternative products like JUUL. **That has been this company's mission since it was founded,** and it has taken great strides in that direction." (JLI's CEO K.C. Crosthwaite, September 25, 2019);⁵⁶³
- "As scientists, product designers and engineers, we believe that vaping can have a positive impact when used by adult smokers, and can have a negative impact when used by nonsmokers. **Our goal is to maximize the positive and reduce the negative.**" (JLI Website, March 6, 2020);⁵⁶⁴ and
- **"JUUL was designed with adult smokers in mind."** (JLI Website, last visited March 29, 2020).⁵⁶⁵

⁵⁵⁸ Angelica LaVito, *As JLI grapples with teen vaping 'epidemic,' CEO tells parent 'I'm sorry'*, CNBC (July 13, 2019), <https://www.cnbc.com/2019/07/13/as-juul-deals-with-teen-vaping-epidemic-ceo-tells-parents-im-sorry.html> (emphasis added).

⁵⁵⁹ *Our Actions to Combat Underage Use*, JUUL Labs, Inc. (Aug. 29, 2019), <https://newsroom.juul.com/our-actions-to-combat-underage-use/> (JUUL statement in response to lawsuits) (emphasis added).

⁵⁶⁰ Matt Richtel & Sheila Kaplan, *Did Juul Lure Teenagers and Get 'Customers for Life'?*, N.Y. Times (Aug. 27, 2018), <https://www.nytimes.com/2018/08/27/science/juul-vaping-teen-marketing.html> (emphasis added).

⁵⁶¹ *Id* (emphasis added).

⁵⁶² Michael Hiltzik, *Column: Studies show how JLI exploited social media to get teens to start vaping*, L.A. Times (Sept. 24, 2019), <https://www.latimes.com/business/story/2019-09-24/hiltzik-juul-target-teens> (statement made on behalf of JUUL) (emphasis added).

⁵⁶³ Juul Labs Names New Leadership, Outlines Changes to Policy and Marketing Efforts, JUUL Labs, Inc. (Sept. 25, 2019), <https://newsroom.juul.com/juul-labs-names-new-leadership-outlines-changes-to-policy-and-marketing-efforts/> (emphasis added) (statement by K.C. Crosthwaite).

⁵⁶⁴ *Our Mission*, JUUL LABS, INC. (2019), <https://www.juul.com/mission-values> (last visited Apr. 4, 2020) (emphasis added).

⁵⁶⁵ JUUL Labs, Inc., <https://www.juul.com/> (last visited Mar. 29, 2020) (emphasis added).

458. As the JLI Board of Directors had “final say” over all of JLI’s marketing efforts, these statements regarding JLI’s marketing efforts can be imputed to the Management Defendants, who were therefore directly responsible for the messaging over the marketing of JUUL products.

459. Altria also engaged in wire fraud when it made public statements seeking to disavow the notion that JLI had targeted and sought to addict teens:

- “Altria and JUUL are committed to preventing kids from using any tobacco products. As recent studies have made clear, youth vaping is a serious problem, which both Altria and JUUL are committed to solve. **As JUUL previously said, ‘Our intent was never to have youth use JUUL products.’**” (Altria News Release, December 20, 2018).⁵⁶⁶

460. However, JLI, the Management Defendants, and Altria realized that attempting to shift public opinion through fraudulent statements was not enough to achieve their goal of staving off regulation. To accomplish this goal, they would also need to deceive the FDA and Congress. And so they set out to do just that through statements and testimony by JLI representatives. These include, but are not limited to, the following:

Statements by JLI to the FDA:

- “JUUL was not designed for youth, **nor has any marketing or research effort since the product’s inception been targeted to youth.**” (Letter to FDA, June 15, 2018).⁵⁶⁷
- “With this response, the Company hopes FDA comes to appreciate why the product was developed and **how JUUL has been marketed — to provide a viable alternative to cigarettes for adult smokers.**” (Letter to FDA, June 15, 2018).⁵⁶⁸

Statements by Altria to the FDA:

- “[W]e do not believe we have a current issue with youth access to or use of our pod-based products, we do not want to risk contributing to the issue.” (Letter from Altria CEO to FDA Commissioner Scott Gottlieb, October 25, 2018).⁵⁶⁹

⁵⁶⁶ Altria Group, Inc., *Altria Makes \$12.8 Billion Minority Investment to Accelerate Harm Reduction and Drive Growth* (“Altria Minority Investment”) (Form 8-K), Ex. 99.1 (Dec. 20, 2018), <https://www.sec.gov/Archives/edgar/data/764180/000119312518353970/d660871dex991.htm> (emphasis added).

⁵⁶⁷ Letter from JUUL’s Counsel at Sidley Austin to Dr. Matthew Holman, FDA at 2 (June 15, 2018) (emphasis added).

⁵⁶⁸ *Id.* at 3 (emphasis added).

⁵⁶⁹ Letter from Altria CEO Howard Willard to Dr. Scott Gottlieb, FDA at 2 (Oct. 25, 2018) (emphasis added).

- “We believe e-vapor products present an important opportunity to **adult smokers to switch from combustible cigarettes.**” (Letter to FDA Commissioner Gottlieb, 10/25/18)⁵⁷⁰

Statements by JLI to Congress:

- “**We never wanted any non-nicotine user, and certainly nobody under the legal age of purchase, to ever use JLI products.** . . . That is a serious problem. Our company has no higher priority than combatting underage use.” (Testimony of James Monsees, July 25, 2019).⁵⁷¹
- “Our product is **intended to help smokers stop smoking combustible cigarettes.**” (Ashley Gould, JLI Chief Administrative Officer, Testimony before House Committee on Oversight and Reform, July 25, 2019).⁵⁷²

Statements by Altria to Congress:

- “In late 2017 and into early 2018, we saw that the previously flat e-vapor category had begun to grow rapidly. JUUL was responsible for much of the category growth and **had quickly become a very compelling product among adult vapers.** We decided to pursue an economic interest in JUUL, believing that an investment would **significantly improve our ability to bring adult smokers a leading portfolio of non-combustible products** and strengthen our competitive position with regards to potentially reduced risk products.” (Letter from Altria CEO to Senator Durbin, October 14, 2019).⁵⁷³

461. Each of the foregoing statements constitutes an act of wire fraud. JLI, Monsees, and Altria made these statements, knowing they would be transmitted via wire, with the intent to deceive the public, the FDA, and Congress as to Defendants’ true intentions of hooking underage users.

462. Their disinformation scheme was successful. While certain groups such as the American Medical Association were calling for a “sweeping ban on vaping products,”⁵⁷⁴ no such ban

⁵⁷⁰ *Id.* At 1 (emphasis added).

⁵⁷¹ *Examining JUUL’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. 1 (2019), <https://docs.house.gov/meetings/GO/GO05/20190725/109846/HHRG-116-GO05-Wstate-MonseesJ-20190725.pdf> (emphasis added) (statement of James Monsees, Co-Founder, JUUL Labs, Inc.).

⁵⁷² *Examining Juul’s Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. (2019) (statement of Ashley Gould, Chief Administrative Officer, JUUL Labs, Inc.), <https://www.c-span.org/video/?462992-1/hearing-cigarettes-teen-usage-day-2&start=6431> at 01:53:25 (emphasis added).

⁵⁷³ Letter from Howard A. Willard III, Altria to Senator Richard J. Durbin, 6 (October 14, 2019) (emphasis added).

⁵⁷⁴ Karen Zraick, A.M.A. *Urges Ban on Vaping Products as JLI is Sued by More States*, N.Y. TIMES (Nov. 19, 2019), <https://www.nytimes.com/2019/11/19/health/juul-lawsuit-ny-california.html>.

has been implemented to date. Accordingly, JLI's highly addictive products remain on the market and available to underage users.

F. Altria Provided Services to JLI to Expand JUUL Sales and Maintain JUUL's Position as the Dominant E-Cigarette.

1. Before Altria's Investment in JLI, Altria and JLI Exchanged Market Information Pertaining to Key Decisions.

463. [REDACTED] JLI and Avail Vapor ("Avail"), a chain of more than 100 high-end vape stores,⁵⁷⁵ [REDACTED].⁵⁷⁶

464. On November 2, 2017, Altria announced that it had acquired a minority interest in Avail.⁵⁷⁷ Altria's comments to investors highlighted that the investment allowed Altria access to Avail's "extensive data around adult vaper purchasing patterns," and "full-service analytical science laboratory," located in Altria's hometown of Richmond, Virginia.⁵⁷⁸

465. On November 21, 2017—three weeks after Altria announced its investment in Avail—JLI and Avail entered into a distribution agreement, which has been renewed twice—once in November 19, 2018 and again on January 8, 2019.⁵⁷⁹

466. Through its investment in Avail, Altria had access to sales data for JUUL products long before the companies exchanged diligence in connection with Altria's investment in JLI. Although JLI

⁵⁷⁵ *About Us*, Avail Vapor, <https://www.availvapor.com/about-us> (last visited Apr. 4, 2020).

⁵⁷⁶ INREJUUL_00066273.

⁵⁷⁷ Rich Duprey, *Is Altria Trying to Corner the E-Cig Market?*, THE MOTLEY FOOL (Jan. 7, 2018), <https://www.fool.com/investing/2018/01/07/is-altria-trying-to-corner-the-e-cig-market.aspx>; Lauren Thomas, *Altria shares plunge after FDA releases road map to curb tobacco-related deaths*, CNBC (July 28, 2017), <https://www.cnbc.com/2017/07/28/altria-shares-fall-after-fda-releases-roadmap-to-curb-tobacco-related-deaths-.html>.

⁵⁷⁸ Remarks by Marty Barrington, Altria Group, Inc.'s (Altria) Chairman, CEO and President, and other members of ALTRIA's senior management team, 2017 Consumer Analyst Group of New York (CAGNY) Conference (2017), <http://investor.altria.com/Cache/IRCache/1ac8e46a-7eb4-5df2-843d-06673f29b6b0.PDF?O=PDF&T=&Y=&D=&FID=1ac8e46a-7eb4-5df2-843d-06673f29b6b0&iid=4087349>.

⁵⁷⁹ *Examining Juul's Role in the Youth Nicotine Epidemic, Hearing Before the H. Comm. on Oversight and Reform, Subcomm. on Econ. and Consumer Policy*, 116th Cong. 28 (2019) (Responses of JUUL Labs, Inc. to Questions for the Record).

1 represented to Congress that “[JLI’s] data [from Avail] was not available to Altria,”⁵⁸⁰ statements in
 2 Altria’s October 2019 letter to Congress suggest otherwise.

3 467. In that letter, Altria admitted that it possessed JUUL sales data that corresponds to the
 4 very same time period in which JLI began selling its products at Avail stores, starting in late 2017.⁵⁸¹
 5 That sales data showed that JLI was dominating the e-cigarette market during this time period.⁵⁸² By
 6 November 2017, JLI had sold one million units of its blockbuster product, boasting 621% growth in
 7 year-to-year sales and capturing 32% of e-cigarette sales tracked by Nielsen.⁵⁸³ Sales of Altria’s own e-
 8 cigarettes, on the other hand, trailed behind both the JUUL and British American Tobacco’s Vuse.
 9 Altria sought to grow JLI’s market dominance and young customer base. JLI, in the regulatory
 10 crosshairs, needed Altria’s experience and its influence in Washington.

11 468. Altria recognized that JLI had, against the backdrop of steadily declining cigarette sales,
 12 created the right product to addict a new generation to nicotine. JLI faced existential threats, however,
 13 from regulatory and congressional scrutiny, and public outrage over the growing youth e-cigarette
 14 epidemic.

15 469. JLI, Altria, and the Management Defendants thus began to coordinate their activities in
 16 2017 through Avail Vapor. This back-channel, and the information it provided Altria, allowed Altria to
 17 take actions to benefit itself, JLI, and the Management Defendants without drawing the scrutiny of the
 18 public and regulators that they knew would inevitably follow a formal announcement of a partnership
 19 between JLI and Altria.
 20
 21
 22
 23
 24

25 ⁵⁸⁰ *Id.*

26 ⁵⁸¹ Letter from Howard A. Willard III, Altria to Senator Richard J. Durbin, 6 (October 14, 2019)
 (emphasis added).

27 ⁵⁸² *Id.*

28 ⁵⁸³ Melia Robinson, *How a startup behind the 'iPhone of vaporizers' reinvented the e-cigarette and
 generated \$224 million in sales in a year*, Bus. Insider (Nov. 21, 2017),
<https://www.businessinsider.com/juul-e-cigarette-one-million-units-sold-2017-11>.

2. JLI, the Management Defendants and Altria Coordinated to Market JUUL in Highly-Visible Retail Locations.

470. JLI, the Management Defendants, and Altria’s coordination continued in other ways throughout 2018 as they prepared for Altria’s equity investment in JLI.

471. A key aspect of this early coordination was Altria’s acquisition of shelf-space that it would later provide to JLI to sustain the exponential growth of underage users of JUUL products. By acquiring shelf space, Altria took steps to ensure that JUUL products would be placed in premium shelf space next to Marlboro brand cigarettes, the best-selling cigarette overall and by far the most popular brand among youth.⁵⁸⁴

472. Altria’s investment was not for its own e-cigarette products. Altria spent approximately \$100 million in 2018 to secure shelf-space at retailers for e-cigarette products—purportedly for the MarkTen e-cigarette that Altria stopped manufacturing in 2018, and its pod-based MarkTen Elite, which it launched on a small scale in only 25,000 stores.⁵⁸⁵ By comparison, the 2014 launch of the original MarkTen resulted in product placement in 60,000 stores in the first month in the western United States alone.⁵⁸⁶ Yet Altria’s payments for shelf space were a mixture of “cash and display fixtures in exchange for a commitment that its e-cigarettes would occupy prime shelf space for at least two years.”⁵⁸⁷

473. In reality, Altria spent approximately \$100 million on shelf-space in furtherance of expanding the e-cigarette market, including JLI’s massive, ill-gotten market share. It has since been

⁵⁸⁴ *Preventing Tobacco Use Among Youth and Adults, A Report of the Surgeon General*, Centers for Disease Control & Prevention 161, 164 (2012), <https://www.ncbi.nlm.nih.gov/books/NBK99237/>.

⁵⁸⁵ Sheila Kaplan, *Altria to Stop Selling Some E-Cigarette Brands That Appeal to Youths*, N.Y. TIMES (Oct. 25, 2018), <https://www.nytimes.com/2018/10/25/health/altria-vaping-ecigarettes.html>.

⁵⁸⁶ Melissa Kress, *MarkTen National Rollout Hits 60,000 Stores*, CONVENIENCE STORE NEWS (July 22, 2014), <https://csnews.com/markten-national-rollout-hits-60000-stores>.

⁵⁸⁷ Jennifer Maloney & John McKinnon, *Altria-JLI Deal Is Stuck in Antitrust Review*, WALL ST. J. (Jan. 17, 2020), <https://www.wsj.com/articles/altria-juul-deal-is-stuck-in-antitrust-review-11579257002>.

1 reported that Altria “pulled its e-cigarettes off the market” not out of concern for the epidemic of youth
 2 nicotine addiction JUUL created, but because a non-compete was a “part of its deal with J[LI].”⁵⁸⁸

3 474. When Altria later announced its \$12.8 billion investment in JLI, part of the agreement
 4 between the two companies was that Altria would provide JLI with this premium shelf space.⁵⁸⁹

5 475. Altria’s purchase of shelf space in 2018 and its subsequent provision of that space to
 6 JLI shows how Altria, JLI, and the Management Defendants were coordinating even before Altria
 7 announced its investment in JLI. Altria’s actions ensured that, even after public and regulatory scrutiny
 8 forced JLI to stop its youth-oriented advertising, JUUL products would still be placed where kids are
 9 most likely to see them—next to Marlboros, the most iconic, popular brand of cigarettes among
 10 underage users—in a location they are most likely to buy them—retail establishments.⁵⁹⁰

11
 12
 13 **3. Altria Contributes to the Success of JLI’s and the Management Defendants’
 Scheme Through a Range of Coordinated Activities.**

14 476. While JLI and Altria remain separate corporate entities in name, following its equity
 15 investment in JLI, Altria and JLI forged even greater significant, systemic links, *i.e.*, shared leadership,
 16 contractual relationships, financial ties, and continuing coordination of activities.

17 477. In 2019, two key Altria executives became JLI’s CEO and head of regulatory affairs,
 18 respectively.

19 478. K.C. Crosthwaite, who was president of Altria Client Services when the company
 20 carried out a study that would later be used by Altria to shield JUUL’s Mint pods from federal
 21 regulation, is now JLI’s CEO. Before joining JLI, Crosthwaite was Altria’s chief growth officer.
 22
 23
 24
 25
 26

27 ⁵⁸⁸ *Id.*

28 ⁵⁸⁹ *Id.*

⁵⁹⁰ Laura Bach, *Where Do Youth Get Their E-Cigarettes?*, Campaign for Tobacco Free Kids (Dec. 3, 2019), <https://www.tobaccofreekids.org/assets/factsheets/0403.pdf>.

1 479. Joe Murillo, who launched the MarkTen line at Altria and more recently headed
2 regulatory affairs for Altria, is now JLI's chief regulatory officer.⁵⁹¹ A 24-year career Altria executive,
3 Murillo previously ran Altria's e-cigarette business, Nu Mark, "before Altria pulled its e-cigarettes off
4 the market as part of its deal with J[UUL]."⁵⁹²

5 480. In addition to its effective takeover of JUUL, Altria provides services to JLI in
6 furtherance of their common goal of expanding the number of nicotine-addicted e-cigarette users, in
7 the areas of "direct marketing; sales, distribution and fixture services; and regulatory affairs."⁵⁹³ These
8 services include, among other things:
9

10 "Piloting a distribution program to provide long haul freight, warehouse storage and last
11 mile freight services;"

12 "Making available [Altria's] previously contracted shelf space with certain retailers,"
13 thus allowing JUUL products to receive prominent placement alongside a top-rated
14 brand of combustible cigarettes, Marlboro, favored by youth;

15 "Executing direct mail and email campaigns and related activities. . . .";

16 "Leveraging Altria's field sales force to . . . provide services such as limited initiative
17 selling, hanging signs, light product merchandising, and surveys of a subset of the retail
18 stores that Altria calls upon;" and

19 "Providing regulatory affairs consulting and related services to [JUUL] as it prepares its
20 PMTA application."⁵⁹⁴

21 481. Altria also worked with JLI to cross-market JUUL and Marlboro cigarettes. For
22 example, Altria offered coupons for JUUL starter kits inside packs of Marlboro cigarettes.⁵⁹⁵
23
24

25 ⁵⁹¹ Jennifer Maloney, *JLI Hires Another Top Altria Executive*, Wall St. J. (Oct. 1, 2019),
26 <https://www.wsj.com/articles/juul-hires-another-top-altria-executive-11569971306>.

27 ⁵⁹² *Id.*

28 ⁵⁹³ Letter from Howard Willard III, Altria Senator Durbin, et. al., at 11 (Oct. 14, 2019).

⁵⁹⁴ *Id.* at 13.

⁵⁹⁵ *Points for us!*, Reddit (Sept. 16, 2019), (depicting an image of a Marlboro carton with a JUUL starter kit coupon inside).



482. Altria’s investment in JLI was not only a financial contribution; rather, it was an important aspect of JLI, Altria, and the Management Defendants’ plan to continue growing the user base, stave off regulation, and keep JLI’s most potent and popular products on the market and available to kids and the public at large. Altria is and was working to actively help expand sales of JLI’s products. Altria’s investment brings legal and regulatory benefits to JLI, by helping with patent infringement battles and consumer health claims and helping to navigate the regulatory waters and FDA pressure.

483. Altria also brings lobbying muscle to the table, which has played an important role in JLI, Altria, and the Management Defendants’ scheme of staving off regulation by preventing new federal or state legislation targeting JUUL or the e-cigarette category more broadly. Altria “has a potent lobbying network in Washington [D.C.] and around the country.”⁵⁹⁶ Vince Willmore, a spokesman for the Campaign for Tobacco-Free Kids, which has been involved in many state lobbying battles, said, “It’s hard to say where Altria ends and JLI begins.”⁵⁹⁷ While an Altria spokesman has denied that there was any contractual services agreement for lobbying between JLI and Altria, he

⁵⁹⁶ Shelia Kaplan, *In Washington, JLI Vows to Curb Youth Vaping. Its Lobbying in States Runs Counter to That Pledge.*, N.Y. Times (Apr. 28, 2019), <https://www.nytimes.com/2019/04/28/health/juul-lobbying-states-ecigarettes.html>.

⁵⁹⁷ *Id.*

1 admitted that he did not know what informal advice and conversations Altria has had with JLI about
 2 lobbying efforts. Since JLI, the Management Defendants, and Altria joined forces, JLI's spending on
 3 lobbying has risen significantly. JLI spent \$4.28 million on lobbying in 2019, compared to \$1.64
 4 million in 2018.⁵⁹⁸

5
 6 484. In addition, Altria's arrangement with JLI greatly expands JLI's retail footprint. While
 7 JUUL products have typically been sold in 90,000 U.S. retail outlets, Altria reaches 230,000 U.S.
 8 outlets. Altria also brings its logistics and distribution experience (although, after increasing public
 9 scrutiny, Altria announced on January 30, 2020 that it would limit its support to regulatory efforts
 10 beginning in March 2020⁵⁹⁹). And importantly, as noted above, Altria gives JLI access to shelf space
 11 that it had obtained under fraudulent pretenses. This is not just any shelf space; it is space near Altria's
 12 blockbuster Marlboro cigarettes, and other premium products and retail displays. The arrangement
 13 allows JLI's tobacco and menthol-based products to receive prominent placement alongside a top-rated
 14 brand of combustible cigarettes.
 15

16 485. Altria decided to make a significant investment in JLI to further its efforts to maintain
 17 and expand the number of nicotine-addicted e-cigarette users in order to ensure a steady and growing
 18 customer base, which ultimately benefits Altria by ensuring a new generation of customers for its
 19 products. In fact, when announcing its investment, Altria explained that its investment in JLI
 20 "enhances future growth prospects" and committed to applying "its logistics and distribution
 21 experience to help JLI expand its reach and efficiency."⁶⁰⁰ Altria has helped JLI maintain and expand
 22 its market share—a market share that, based on Altria's own October 25, 2018 letter to the FDA, it
 23

24 ⁵⁹⁸ *Client Profile: JUUL Labs*, Center for Responsive Politics, <https://www.opensecrets.org/federal-lobbying/clients/summary?cycle=2019&id=D000070920> (last visited Apr. 4, 2020).

25 ⁵⁹⁹ Nathan Bomey, *Marlboro maker Altria distances itself from vaping giant JLI amid legal scrutiny*,
 26 USA Today (Jan. 31, 2020), <https://www.usatoday.com/story/money/2020/01/31/juul-altria-distances-itself-e-cigarette-maker-amid-scrutiny/4618993002/>.

27 ⁶⁰⁰ *Altria Makes \$12.8 Billion Minority Investment in JUUL to Accelerate Harm Reduction and Drive Growth*, BusinessWire (Dec. 20, 2018),
 28 <https://www.businesswire.com/news/home/20181220005318/en/Altria-12.8-Billion-Minority-Investment-JUUL-Accelerate>.

believes was gained by employing marketing and advertising practices that contributed to youth e-cigarette use.

G. JLI, Altria, and Others Have Successfully Caused More Young People to Start Using E-Cigarettes, Creating a Youth E-Cigarette Epidemic and Public Health Crisis.

486. Defendants' tactics have misled the public regarding the addictiveness and safety of e-cigarettes generally, and JUUL products specifically, resulting in an epidemic of e-cigarette use among youth in particular.

487. Defendants' advertising and third-party strategy, as discussed above, ensured that everyone from adults to young children, would believe JUULing was a cool, fun, and safe activity.

488. To this day, JLI has not fully disclosed the health risks associated with its products, has not recalled or modified its products despite the known risks, and continues to foster a public health crisis, placing millions of people in harm's way.

1. Defendants' Scheme Caused Youth to be Misled into Believing that JUUL was Safe and Healthy.

489. In 2016, the National Institute on Drug Abuse issued findings regarding "Teens and Cigarettes," reporting that 66% of teens believed that e-cigarettes contained only flavoring, rather than nicotine.⁶⁰¹

490. Two years later, despite the ongoing efforts of public health advocates, a 2018 study of JUUL users between the ages of fifteen and twenty-four revealed that 63% remained unaware that JUUL products contain nicotine.⁶⁰² Further, the study found that respondents using e-cigarettes were less likely to report that e-cigarettes were harmful to their health, that people can get addicted to e-cigarettes, or that smoke from others' e-cigarettes was harmful.⁶⁰³

⁶⁰¹ *Teens and E-cigarettes*, Nat'l Inst. on Drug Abuse, <https://www.drugabuse.gov/related-topics/trends-statistics/infographics/teens-e-cigarettes> (last visited May 5, 2020).

⁶⁰² Jeffrey G. Willett et al. *Recognition, Use and Perceptions of Juul Among Youth and Young Adults*, 28 TOBACCO CONTROL 054273 (2019).

⁶⁰³ *Id.*

491. Similarly, in 2018, a literature review of seventy-two articles published in the *International Journal of Environmental Research and Public Health* found that e-cigarettes were perceived by adults and youth as being healthier, safer, less addictive, safer for one's social environment, and safer to use during pregnancy than combustible cigarettes.⁶⁰⁴ Further, researchers found that specific flavors (including dessert and fruit flavors) were perceived to be less harmful than tobacco flavors among adult and youth e-cigarette users.⁶⁰⁵ In addition, researchers found that youth e-cigarette users perceived e-cigarettes as safe to use and fashionable.⁶⁰⁶

492. In 2019, a study published in *Pediatrics* found that 40% of participants reported using nicotine-free e-cigarette products, when in fact the products they were using contained significant levels of nicotine.⁶⁰⁷

493. In 2019, a study published in the *British Medical Journal Open* systematically reviewed all peer-reviewed scientific literature published on e-cigarette perceptions through March 2018 which included fifty-one articles.⁶⁰⁸ Researchers found consistent evidence showing that flavors attract both youth and young adults to use e-cigarettes.⁶⁰⁹ In addition, among this same group, fruit and dessert flavors decrease the perception that e-cigarettes are harmful, while increasing the willingness to try e-cigarettes.⁶¹⁰

⁶⁰⁴ *Id.*

⁶⁰⁵ Kim A. G. J. Romijnders et al., *Perceptions and Reasons Regarding E-Cigarette Use Among Users and Non-Users: A Narrative Literature Review*, 15 INT'L J. OF ENVTL. RESEARCH & PUBLIC HEALTH 1190 (2018), <https://doi.org/10.3390/ijerph15061190>.

⁶⁰⁶ *Id.*

⁶⁰⁷ Rachel Boykan et al., *Self-Reported Use of Tobacco, E-Cigarettes, and Marijuana versus Urinary Biomarkers*, 143 PEDIATRICS (2019), <https://doi.org/10.1542/peds.2018-3531>.

⁶⁰⁸ Clare Meernik, et al, *Impact of Non-Menthol Flavours in E-Cigarettes on Perceptions and Use: An Updated Systematic Review*, *BMJ Open*, 9:e031598 (2019), <https://bmjopen.bmj.com/content/9/10/e031598>.

⁶⁰⁹ *Id.*

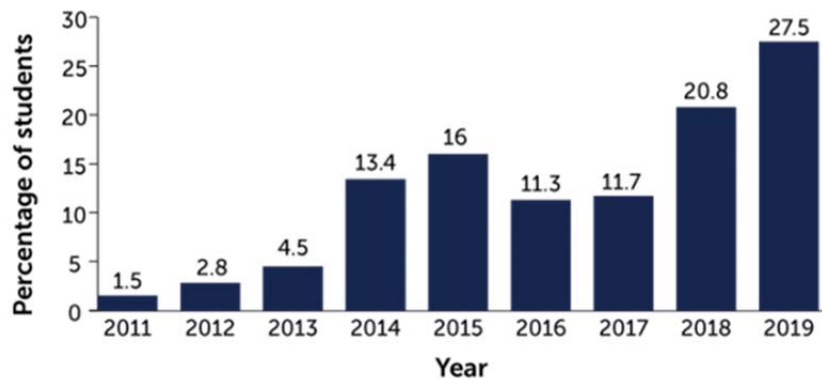
⁶¹⁰ *Id.*

2. Use of JUUL by Minors Has Skyrocketed.

494. On December 28, 2018, the University of Michigan’s National Adolescent Drug Trends for 2018 reported that increases in adolescent e-cigarette use from 2017 to 2018 were the “largest ever recorded in the past 43 years for any adolescent substance use outcome in the U.S.”⁶¹¹

495. The percentage of 12th grade students who reported consuming nicotine almost doubled between 2017 and 2018, rising from 11% to 20.9%.⁶¹² This increase was “twice as large as the previous record for largest-ever increase among past 30-day outcomes in 12th grade.”

496. By 2018 approximately 3.6 million middle and high school students were consuming e-cigarettes regularly,⁶¹³ and one in five 12th graders reported used an e-cigarette containing nicotine in the last 30 days.⁶¹⁴ As of late 2019, 5 million students reported active use of e-cigarettes, with 27.5% of high school students and 10.5% of middle school students using them within the last thirty days and with most youth reporting JUUL as their usual brand.⁶¹⁵



⁶¹¹ *National Adolescent Drug Trends in 2018*, Univ. of Mich. Inst. for Social Research (Dec. 17, 2018), <http://monitoringthefuture.org/pressreleases/18drugpr.pdf>.

⁶¹² News Release, *Teens Using Vaping Devices in Record Numbers*, Nat’l Insts. of Health (Dec. 17, 2018) <https://www.nih.gov/news-events/news-releases/teens-using-vaping-devices-record-numbers>.

⁶¹³ See Jan Hoffman, *Addicted to Vaped Nicotine, Teenagers Have no Clear Path to Quitting*, N.Y. Times (Dec. 18, 2018), <https://www.nytimes.com/2018/12/18/health/vaping-nicotine-teenagers.html>.

⁶¹⁴ *Id.*

⁶¹⁵ National Youth Tobacco Survey, U.S. FDA (2019); Karen Cullen et al., *e-Cigarette Use Among Youth in the United States*, 322 JAMA 2095 (2019), <https://jamanetwork.com/journals/jama/fullarticle/2755265>.

1 497. The Secretary of the U.S. Department of Health and Human Services declared that
 2 “[w]e have never seen use of any substance by America’s young people rise as rapidly as e-cigarette
 3 use [is rising].”⁶¹⁶ Then FDA Commissioner Dr. Gottlieb described the increase in e-cigarette
 4 consumption as an “almost ubiquitous—and dangerous—trend” that is responsible for an “epidemic”
 5 of nicotine use among teenagers.⁶¹⁷ The rapid—indeed infectious—adoption of e-cigarettes “reverse[s]
 6 years of favorable trends in our nation’s fight to prevent youth addiction to tobacco products.”⁶¹⁸ CDC
 7 Director Robert Redfield agreed, “The skyrocketing growth of young people’s e-cigarette use over the
 8 past year threatens to erase progress made in reducing tobacco use. It’s putting a new generation at risk
 9 for nicotine addiction.”⁶¹⁹ Then-Commissioner Gottlieb identified the two primary forces driving the
 10 epidemic as “youth appeal and youth access to flavored tobacco products.”⁶²⁰

11
 12 498. Within days of the FDA’s declaration of an epidemic, Surgeon General Dr. Jerome
 13 Adams also warned that the “epidemic of youth e-cigarette use” could condemn a generation to “a
 14 lifetime of nicotine addiction and associated health risks.”⁶²¹ The Surgeon General’s 2018 Advisory
 15 states that JUUL, with its combination of non-irritating vapor and potent nicotine hit, “is of particular
 16 concern for young people, because it could make it easier for them to initiate the use of
 17
 18
 19

20 ⁶¹⁶ Jan Hoffman, *Study Shows Big Rise in Teen Vaping This Year*, N.Y. Times (Dec. 17, 2018),
 21 <https://www.nytimes.com/2018/12/17/health/ecigarettes-teens-nicotine-.html>; Rajiv Bahl, *Teen Use*
 22 *of Flavored Tobacco was Down, But E-Cigarettes Are Bringing It Back Up*, Healthline (Jan. 9,
 2019), [https://www.healthline.com/health-news/flavored-tobacco-use-rising-again-among-teens#An-](https://www.healthline.com/health-news/flavored-tobacco-use-rising-again-among-teens#An-unhealthy-habit)
 23 [unhealthy-habit](https://www.healthline.com/health-news/flavored-tobacco-use-rising-again-among-teens#An-unhealthy-habit).

24 ⁶¹⁷ News Release, *FDA Launches New, Comprehensive Campaign to Warn Kids About the Dangers of*
 25 *E-Cigarette Use as Part of Agency’s Youth Tobacco Prevention Plan, Amid Evidence of Sharply*
 26 *Rising Use Among Kids*, U.S. FDA (Sept. 18, 2018), [https://www.fda.gov/NewsEvents/Newsroom/](https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm620788.htm)
 27 [PressAnnouncements/ucm620788.htm](https://www.fda.gov/NewsEvents/Newsroom/PressAnnouncements/ucm620788.htm).

28 ⁶¹⁸ *Id.*

⁶¹⁹ Amir Vera, *Texas Governor Signs Law Increasing the Age to Buy Tobacco Products to 21*, CNN
 (June 8, 2019), <https://www-m.cnn.com/2019/06/08/health/texas-new-tobacco-law/index.html>.

⁶²⁰ *Id.*

⁶²¹ Jerome Adams, *Surgeon General’s Advisory on E-cigarette Use Among Youth* at 1, CDC (Dec.
 2018), [https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-](https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-use-among-youth-2018.pdf)
 use-among-youth-2018.pdf.

1 nicotine . . . and also could make it easier to progress to regular e-cigarette use and nicotine
2 dependence.”⁶²²

3 499. Kids are consuming so much nicotine that they are experiencing symptoms of nicotine
4 toxicity, including headaches, nausea, sweating, and dizziness, and they have even coined a term for it:
5 “nic sick.” As one high school student explained to *CBS News*, it “kinda seems like a really bad flu,
6 like, just out of nowhere. Your face goes pale, you start throwing up and stuff, and you just feel
7 horrible.”⁶²³

8 500. The JUUL youth addiction epidemic spread rapidly across high schools in the United
9 States. JUUL surged in popularity, largely through social media networks, and created patterns of
10 youth usage, illegal youth transactions, and addiction, that are consistent with this account from Reddit
11 in 2017:
12

13
14 Between classes the big bathroom in my school averages 20-25 kids, and 5-10 JUULs.
15 Kids usually will give you a dollar for a JUUL rip if you don’t know them, if you want
16 to buy a pod for 5\$ you just head into the bathroom after lunch. We call the kids in there
17 between every class begging for rips ‘JUUL fiends.’ Pod boys are the freshman that say
18 ‘can I put my pod in ur juul?’ and are in there every block. I myself spent about 180\$ on
19 mango pods and bought out a store, and sold these pods for 10\$ a pod, making myself
20 an absolutely massive profit in literally 9 days. Given because I’m 18 with a car and
21 that’s the tobacco age around here, I always get offers to get pod runs or juuls for kids.
22 people even understand the best system to get a head rush in your 2 minutes between
23 classes, is all the juuls at once. So someone yells “GIVE ME ALL THE JUULS” and 3-
24 7 are passed around, two hits each. This saves us all juice, and gives you a massive head
25 rush. Kids also scratch logos and words onto their juuls to make i[t] their own, every
26 day you can find the pod covers in my student parking lot. I know this sounds
27 exaggerated, but with a school with 1400 kids near the city and JUULs being perceived
28 as popular, it’s truly fascinating what can happen.”⁶²⁴

23 In response to the post above, several others reported similar experiences:

26 ⁶²² *Id.* a 2.

27 ⁶²³ *High school students say about 20% of their peers are vaping, some as young as 8th grade*, CBS
28 News (Aug. 30, 2019), <https://www.cbsnews.com/news/high-school-students-say-about-20-of-their-peers-are-vaping-some-as-young-as-8th-grade/>.

⁶²⁴ *What’s Juul in School*, https://www.reddit.com/r/juul/comments/61is7i/whats_juul_in_school/ (last
visited Apr. 4, 2020).

- a. “[T]his is the exact same thing that happens at my school, we call [JUUL fiends] the same thing, kind of scary how similar it is.”⁶²⁵
- b. “Same thing at my school. JUUL fiend is a term too.”⁶²⁶
- c. “Yeah nicotine addiction has become a huge problem in my high school because of juuls even the teachers know what they are.”⁶²⁷
- d. “[S]ame [expletive] at my school except more secretive because it’s a private school. It’s crazy. Kids hit in class, we hit 3-5 at once, and everyone calls each other a juul fiend or just a fiend. Funny how similar it all is.”⁶²⁸
- e. “[T]he same [expletive] is happening in my school. kids that vaped were called [expletive] for the longest time, that all changed now.”⁶²⁹
- f. “Made an account to say that it’s exactly the same way in my school! LOL. I’m from California and I think I know over 40 kids that have it here just in my school. We do it in the bathrooms, at lunch etc. LMAO. ‘Do you have a pod man?’”⁶³⁰
- g. “It’s the same at my school and just about every other school in Colorado.”⁶³¹
- h. “2 months into this school year, my high school made a newspaper article about the ‘JUUL epidemic.’”⁶³²
- i. “Wow do you go to high school in Kansas because this sounds EXACTLY like my school. I’ll go into a different bathroom 4 times a day and there will be kids in there ripping JUUL’s in every single one.”⁶³³
- j. “At my high school towards the end of lunch everyone goes to the bathroom for what we call a ‘juul party.’ People bring juuls, phixes, etc. It’s actually a great bonding experience because freshman can actually relate to some upperclassmen and talk about vaping.”⁶³⁴

⁶²⁵ *Id.*

⁶²⁶ *Id.*

⁶²⁷ *Id.*

⁶²⁸ *Id.*

⁶²⁹ *Id.*

⁶³⁰ *Id.*

⁶³¹ *Id.*

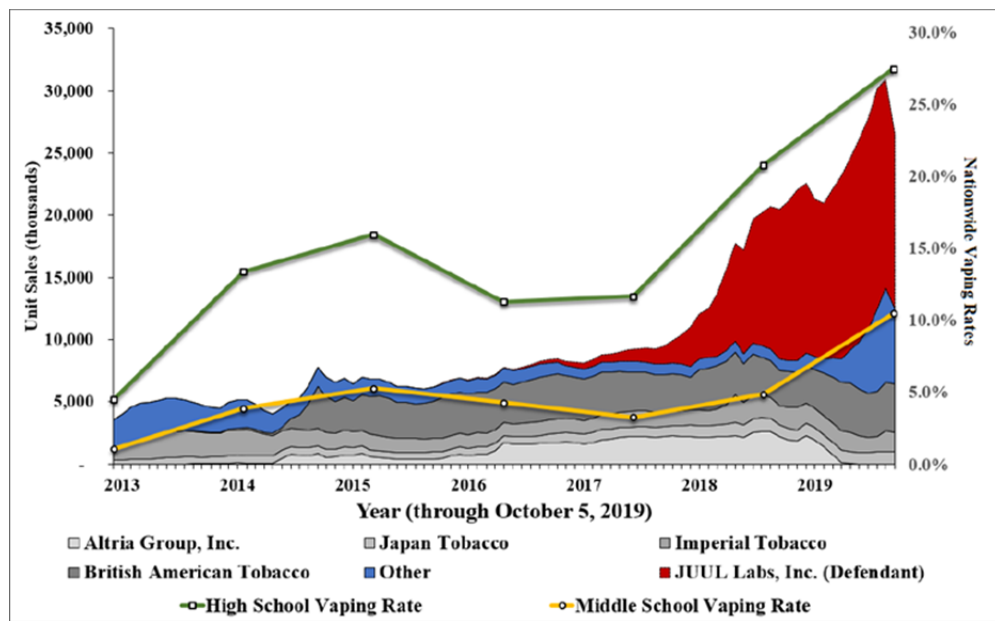
⁶³² *Id.* (citing *Juuls Now Rule the School as Students Frenzy Over E-cig* (Oct. 5, 2016), <https://imgur.com/a/BKewp>).

⁶³³ *Id.*

⁶³⁴ *Id.*

k. “To everyone thinking that this is just in certain states, it’s not. This is a nationwide trend right now. I’ve seen it myself. If you have one you’re instantly insanely popular. Everyone from the high-achievers to the kids who use to say ‘e-cigs are for [expletives]’ are using the juul. It’s a craze. I love it, I’ve made an insane amount of money. It’s something that has swept through our age group and has truly taken over. And it happened almost overnight.”⁶³⁵

501. The following graph illustrates JLI’s responsibility for the nationwide youth e-cigarette epidemic. While the rest of the e-cigarette industry stagnated from 2017 through 2018, JLI experienced meteoric growth. Through that same timeframe, youth e-cigarette rates nearly doubled from more than 11% in 2017 to more than 20% in 2018. Through October 5, 2019 (the last date for which data was available), rates of youth e-cigarette use continued to increase, tracking the growth of JUUL.



636

502. The unique features of the JUUL e-cigarette—high nicotine delivery, low harshness, and easy-to-conceal design—have caused patterns of addiction with no historical precedent. It is not

⁶³⁵ *Id.* (emphasis added).

⁶³⁶ The area graph depicts e-cigarette unit sale volumes in retail outlets tracked by Nielsen by manufacturer and month from 2013 through October 5, 2019; the line graph depicts national high school and middle school e-cigarette past-30-day usage rates as percentages from 2013 through 2019, with each data point representing a year. See Nielsen: Tobacco All Channel Data; National Youth Tobacco Survey (2019); see also Complaint at 2 (Figure 1), *Commonwealth of Penn. v. Juul Labs, Inc.*, (Ct. Common Pleas, Feb. 10, 2020).

1 uncommon for fifteen-year-old students, even those who live at home with their parents, to consume
2 two or more JUUL pods a day.

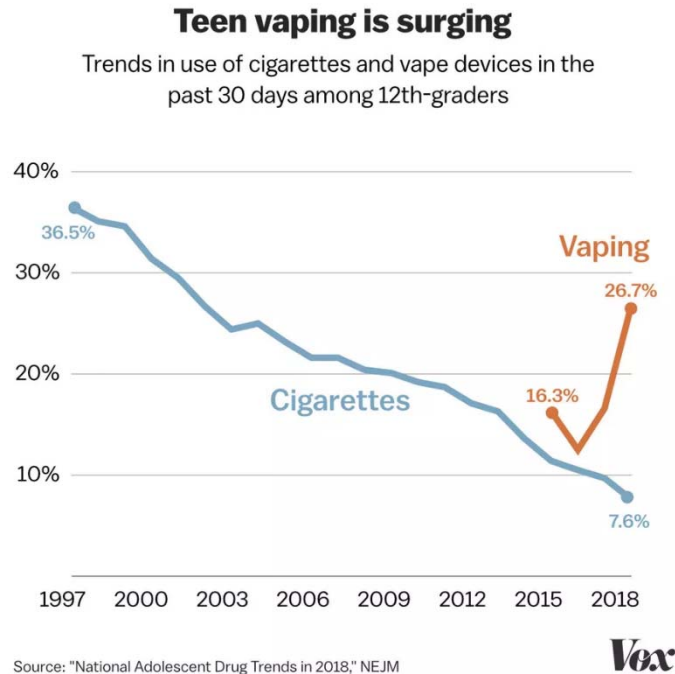
3 503. The downwards trend in youth smoking that public health departments and school anti-
4 tobacco programs worked so hard to create has completely reversed. In 2018, more than one in four
5 high school students in the United States reported using a tobacco product in the past thirty days, a
6 dramatic increase from just one year before.⁶³⁷ But there was no increase in the use of cigarettes,
7 cigars, or hookahs during that same time period.⁶³⁸ There was only increased use in a single tobacco
8 product: e-cigarettes. While use of all other tobacco products continued to decrease as it had been for
9 decades, e-cigarette use increased 78% in just one year.⁶³⁹ This drastic reversal caused the CDC to
10 describe youth e-cigarette use as an “epidemic.”⁶⁴⁰
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23 ⁶³⁷ *Progress Erased: Youth Tobacco Use Increased During 2017-2018*, CDC (Feb. 11, 2019),
24 <https://www.cdc.gov/media/releases/2019/p0211-youth-tobacco-use-increased.html>.

25 ⁶³⁸ *Tobacco Use By Youth Is Rising: E-Cigarettes are the Main Reason*, CDC (Feb. 2019),
26 <https://www.cdc.gov/vitalsigns/youth-tobacco-use/index.html>.

27 ⁶³⁹ Scott Gottlieb, Statement from FDA Commissioner Scott Gottlieb, M.D., on proposed new steps to
28 protect youth by preventing access to flavored tobacco products and banning menthol in cigarettes,
FDA (Nov. 15, 2018), <https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-proposed-new-steps-protect-youth-preventing-access>.

⁶⁴⁰ Jerome Adams, *Surgeon General’s Advisory on E-cigarette Use Among Youth*, CDC (Dec. 2018),
<https://e-cigarettes.surgeongeneral.gov/documents/surgeon-generals-advisory-on-e-cigarette-use-among-youth-2018.pdf>.



H. JLI Thrived Due to Extensive Efforts to Delay Meaningful Regulation of its Products.

1. E-Cigarette Manufacturers Successfully Blocked the Types of Regulations that Reduced Cigarette Sales, Creating the Perfect Opportunity for JLI.

504. One of the main reasons e-cigarettes like JUUL were so appealing from an investment and business development perspective is that, unlike combustible cigarettes, e-cigarettes were relatively unregulated. This regulatory void was not an accident; the cigarette industry, and then the e-cigarette industry, spent significant resources blocking, frustrating, and delaying government action. A 1996 article in the *Yale Law & Policy Review* detailed how cigarette companies vehemently opposed the FDA mid-1990s rules on tobacco products, using lawsuits, notice-and-comment, and arguments related to the FDA's jurisdiction to delay or undo any regulatory efforts.⁶⁴¹

505. In 2009, Congress enacted the Family Smoking Prevention and Tobacco Control Act ("TCA"). The TCA amended the Federal Food, Drug, and Cosmetic Act to allow the FDA to regulate tobacco products.

⁶⁴¹ Melvin Davis, *Developments in Policy: The FDA's Tobacco Regulations* 15 Yale L. & Policy Rev. 399 (1996).

1 506. Although the TCA granted the FDA immediate authority to regulate combustible
2 cigarettes, it did not give the FDA explicit authority over all types of tobacco products—including
3 those that had not yet been invented or were not yet popular. To “deem” a product for regulation, the
4 FDA must issue a “deeming rule” that specifically designates a tobacco product, such as e-cigarettes,
5 as falling within the purview of the FDA’s authority under the TCA.
6

7 507. The TCA also mandated that all “new” tobacco products (*i.e.*, any product not on the
8 market as of February 15, 2007) undergo a premarket authorization process before they could be sold
9 in the United States.

10 508. Four years later, on April 25, 2014, the FDA finally issued a proposed rule deeming e-
11 cigarettes for regulation under the Tobacco Act (“2014 Proposed Rule”).
12

13 509. Once issued, the e-cigarette industry, together with its newfound allies, parent
14 companies, and investors—the cigarette industry and pro-e-cigarette lobbyists—set to work to dilute
15 the rule’s effectiveness. For example, in comments to the 2014 Proposed Rule, companies such as
16 Johnson Creek Enterprises (one of the first e-liquid manufacturers) stated that the “FDA [] blatantly
17 ignored evidence that our products improve people’s lives.”⁶⁴²
18

19 510. The *New York Times* reported that Altria was leading the effort to dilute, diminish, or
20 remove e-cigarette regulations. Notwithstanding Altria’s professed concern about flavors attracting
21 youth customers, Altria submitted comments in August 2014 in response to the proposed rule opposing
22 the regulation of flavors. Altria asserted that restrictions could result in more illicit sales, and that
23 adults also liked fruity and sweet e-cigarette flavors.⁶⁴³
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25 ⁶⁴² Eric Lipton, *A Lobbyist Wrote the Bill. Will the Tobacco Industry Win Its E-Cigarette Fight?*, N.Y.
26 Times (Sept. 2, 2016), <https://www.nytimes.com/2016/09/03/us/politics/e-cigarettes-vaping-cigars-fda-altria.html>.

27 ⁶⁴³ Altria Client Services Inc., Comment Letter on Proposed Rule Deeming Tobacco Products to be
28 Subject to the Federal Food, Drug, and Cosmetic Act 47-48 (Aug. 8, 2014), <https://www.altria.com/-/media/Project/Altria/Altria/about-altria/federal-regulation-of-tobacco/regulatory-filings/documents/ALCS-NuMark-Comments-FDA-2014-N-0189.pdf>.

1 511. In 2015, Altria lobbied Capitol Hill with its own draft legislation to eliminate the new
 2 requirement that most e-cigarettes already on sale in the United States be evaluated retroactively to
 3 determine if they are “appropriate for the protection of public health.” In effect, Altria lobbied to
 4 “grandfather” all existing e-cigarette brands, including JUUL, into a lax regulatory regime. That
 5 proposed legislation was endorsed by R.J. Reynolds. Altria delivered its proposal, entitled *F.D.A.*
 6 *Deeming Clarification Act of 2015*, to Representative Tom Cole of Oklahoma, who introduced the bill
 7 two weeks later using Altria’s draft verbatim.⁶⁴⁴ Seventy other representatives signed on to Altria’s
 8 legislation.⁶⁴⁵

10 512. The e-cigarette industry, along with the intertwined cigarette industry, was able to
 11 leverage support among Members of Congress such as Representative Cole and Representative
 12 Sanford Bishop of Georgia, who advocated for cigarette industry interests and opposed retroactive
 13 evaluation of e-cigarette products. Both Cole and Bishop echoed a common cigarette and e-cigarette
 14 industry refrain, that any regulations proposed by the FDA would bankrupt small businesses, even
 15 though the overwhelming majority of e-cigarettes were manufactured and distributed by large cigarette
 16 companies.

18 513. Representatives Cole and Bishop received some of the largest cigarette industry
 19 contributions of any member of the U.S. House of Representatives, with Representative Bishop
 20 receiving \$13,000 from Altria, and Representative Cole \$10,000 from Altria in the 2015-2016 cycle.⁶⁴⁶

22 514. By thwarting and delaying regulation, or by ensuring what regulation did pass was laced
 23 with industry-friendly components, the e-cigarette industry, including Defendants, hobbled the FDA—
 24 and by extension—Congress’s efforts to regulate e-cigarettes. Simultaneously, the e-cigarette industry

26 ⁶⁴⁴ Eric Lipton, *A Lobbyist Wrote the Bill. Will the Tobacco Industry Win Its E-Cigarette Fight?*, N.Y.
 27 Times (Sept. 2, 2016), <https://www.nytimes.com/2016/09/03/us/politics/e-cigarettes-vaping-cigars-fda-altria.html>.

28 ⁶⁴⁵ *Id.*

⁶⁴⁶ *Id.*; *Rep. Tom Cole - Oklahoma District 04, Contributors 2015-16*, OpenSecrets (2017),
<https://www.opensecrets.org/members-of-congress/contributors?cid=N00025726&cycle=2016>.

1 continued to market their products to youth, and it coordinated to sow doubt and confusion about the
2 addictiveness and health impacts of e-cigarettes.

3 515. Even after the FDA issued its final deeming rule in 2016, e-cigarette industry lobbying
4 continued to pay dividends to companies like JLI. In 2017, when Dr. Scott Gottlieb took over as the
5 FDA Commissioner, one of his first major acts was to grant e-cigarette companies a four-year
6 extension to comply with the deeming rule, even as data indicated sharp increases in teen e-cigarette
7 use.⁶⁴⁷ Gottlieb had previously served on the board of Kure, a chain of e-cigarette lounges in the
8 United States, though he fully divested before taking the helm at the FDA.⁶⁴⁸

9 516. The four-year extension was celebrated by e-cigarette lobbyists. Greg Conley, president
10 of the American Vaping Association (“AVA”), stated that but for the extension, “over 99 percent of
11 vaper products available on the market today would be banned next year.”⁶⁴⁹ Despite the minimal
12 research publicly available on the health effect of e-cigarettes, Ray Story, who had since become
13 commissioner of the Tobacco Vapor Electronic Cigarette Association, lauded the decision:
14 “Absolutely, it’s a good thing . . . [w]hen you look at harm reduction, it’s a no brainer.”⁶⁵⁰

15
16
17 **2. JLI, the Management Defendants, and Altria Defendants Successfully Shielded the**
18 **Popular Mint Flavor from Regulation.**

19 517. JLI, the Management Defendants, and Altria Defendants had a two-fold plan for staving
20 off regulation: (1) ensure the FDA allowed certain flavors, namely mint, to remain on the market; and
21 (2) stave off a total prohibition on JUUL that was being contemplated in light of JLI’s role in the youth
22

23
24 ⁶⁴⁷ Katie Thomas & Sheila Kaplan, *E-Cigarettes Went Unchecked in 10 Years of Federal Inaction*,
N.Y. Times (Oct. 14, 2019), <https://www.nytimes.com/2019/10/14/health/vaping-e-cigarettes-fda.html>.

25 ⁶⁴⁸ Zeke Faux et al., *Vaping Venture Poses Potential Conflict for Trump’s FDA Nominee*, Bloomberg,
26 (Apr. 19, 2017), <https://www.bloomberg.com/news/articles/2017-04-19/vaping-venture-poses-potential-conflict-for-trump-s-fda-nominee>.

27 ⁶⁴⁹ Sheila Kaplan, *F.D.A. Delays Rules That Would Have Limited E-Cigarettes on Market*, N.Y. Times
28 (July 28, 2017), <https://www.nytimes.com/2017/07/28/health/electronic-cigarette-tobacco-nicotine-fda.html>.

⁶⁵⁰ *Id.*

1 e-cigarette epidemic. These schemes involved acts of mail and wire fraud, with the intent to deceive
 2 the FDA, Congress, and the public at large.

3 518. First, JLI, the Management Defendants, and Altria publicly defended mint flavoring as
 4 a substitute for menthol cigarette smokers, when in fact JLI's studies indicated that mint users are not
 5 former menthol smokers. Second, by fighting to keep mint as the last flavor on the market, the
 6 cigarette industry could continue to appeal to non-smokers, including youth. JLI and the Management
 7 Defendants coordinated with Altria to pursue a fraudulent scheme to convince the FDA into leaving
 8 the mint flavor on the market, sacrificing other flavors in the process.

10 519. On August 2, 2018, JLI met with the FDA to discuss a proposed youth-behavioral study
 11 regarding the prevalence of use, perceptions of use, and intentions to use JUUL and other tobacco
 12 products among adolescents aged 13-17 years (the "Youth Prevalence Study").⁶⁵¹

14 520. On November 5, 2018, JLI transmitted the results of the Youth Prevalence Study to the
 15 FDA and reported that a study of over 1,000 youth had found that only 1.5% of youth had ever used a
 16 JUUL, and that only 0.8% of youth had used a JUUL in the last 30 days. [REDACTED]

18 [REDACTED].⁶⁵² Specifically, the study found that 47% of youth who
 19 reported use of a JUUL device in the last 30-days professed to using mango most often, with only
 20 about 12% reporting the same for mint.

22 521. JLI's study was a sham. JLI, the Management Defendants, and Altria knew their
 23 reported data was inconsistent [REDACTED]
 24 [REDACTED]. JLI's report featured responses to a carefully selected survey question—which *single*
 25 flavor youth used most often?—that obscured the widespread use of mint JUUL pods among youth.

27
 28 ⁶⁵¹ Letter from Joanna Engelke, JUUL Labs, Inc., to David Portnoy, Ph.D., M.P.H., FDA Center for Tobacco Products (Nov. 5, 2018).

⁶⁵² *Id.* at 3.

1 522. Ironically, just a few days after JLI submitted the misleading Youth Prevalence Study to
2 the FDA, the National Youth Tobacco Survey was released. Revealing the depths of the deception of
3 JLI's Youth Prevalence Study, which found that only 1.5% of youth were current users of e-cigarettes,
4 the National Youth Tobacco Survey found that 20.8% of high school student were current users (*i.e.*,
5 consumed e-cigarettes within the last 30 days).

6
7 523. The Youth Prevalence Study that JLI submitted to the FDA, either via U.S. mail or by
8 electronic transmission, was false and misleading. JLI, the Management Defendants, and Altria knew
9 as much. Indeed, they counted on it.

10 524. As the e-cigarette crisis grew, on September 25, 2018, then-FDA Commissioner Scott
11 Gottlieb sent letters to Altria, JLI and other e-cigarette manufacturers, requesting a "detailed plan,
12 including specific timeframes, to address and mitigate widespread use by minors."⁶⁵³

13
14 525. As evidenced by Altria's recent admission that negotiations with JLI were ongoing in
15 late 2017,⁶⁵⁴ Altria and JLI's responses to the FDA reflect a coordinated effort to mislead the FDA
16 with the intention that regulators, in reliance on their statements, allow JLI to continue marketing mint
17 JUUL pods.⁶⁵⁵

18 526. Defendants' plan centered on efforts to deceive the FDA that (1) mint was more akin to
19 Tobacco and Menthol than other flavors; and (2) kids did not prefer mint.

20
21 527. JLI took the first step in this coordinated effort to deceive the FDA. In response to then-
22 Commissioner Gottlieb's September 12, 2018 letter, JLI prepared an "Action Plan," which it presented
23 to the FDA at an October 16, 2018 meeting, and presented to the public on November 12, 2018. The
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26 ⁶⁵³ Letter from Scott Gottlieb, M.D. to JUUL Labs, Inc. (Sept. 12, 2018); Letter from Scott Gottlieb,
M.D. to Altria Group Inc. (Sept. 12, 2018).

27 ⁶⁵⁴ Letter from Howard Willard III, Altria to Senator Durbin, et. al. (Oct. 14, 2019).

28 ⁶⁵⁵ See *United States v. Jones*, 712 F.2d 1316, 1320-21 (9th Cir. 1983) [REDACTED]

substance of JLI's presentation to the FDA and its public-facing Action Plan were largely identical.⁶⁵⁶

[REDACTED] ”⁶⁵⁷ [REDACTED]

[REDACTED]⁶⁵⁸

528. But this statement was not true. [REDACTED]

[REDACTED]⁶⁵⁹ In JLI's Action Plan, then-

CEO Burns stated that only products that “mirror what is currently available for combustible cigarettes—tobacco and menthol-based products (menthol and mint pods)—will be sold to retail stores.”⁶⁶⁰

529. In both JLI's October 2018 presentation to the FDA and JLI's Action Plan that was shared with the public, JLI and its CEO fraudulently characterized mint as a non-flavored cigarette product, akin to tobacco and menthol cigarettes, suggesting that it was a product for adult smokers. The image below was included in both the public-facing Action Plan and JLI's presentation to the FDA.

⁶⁵⁶ JUUL did not include in its Action Plan a proposal for Bluetooth or Wi-Fi equipped devices that was included in JLI's October presentation.

⁶⁵⁷ JUUL Labs, Inc. *FDA Presentation*, 2 [REDACTED]; INREJUUL_00182989.

⁶⁵⁸ *JUUL Labs Action Plan*, JUUL Labs, Inc. (Nov. 13, 2018), <https://newsroom.juul.com/juul-labs-action-plan/>.

⁶⁵⁹ *Id.*

⁶⁶⁰ *JUUL Labs Action Plan*, JUUL Labs, Inc. (Nov. 13, 2018), <https://newsroom.juul.com/juul-labs-action-plan/>.



530. JLI knew that non-smoking youth liked mint as much as any flavor.

531. [REDACTED]

[REDACTED] 661

Indeed, [REDACTED]

[REDACTED] 662 [REDACTED]

[REDACTED] 663

532. Most importantly, JLI knew that mint was the most popular JUUL pod. Though other flavors might draw new customers, JLI's most addictive "flavor" predictably became its most popular.

533. The characterization of mint as an adult tobacco product was also fraudulent because

JLI [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] r. As alleged in a

⁶⁶¹ INREJUUL_00265069.

⁶⁶² INREJUUL_00079307-INREJUUL_00079409, at 395.

⁶⁶³ *Id.*

1 Whistleblower Complaint, JLI's then-CEO told his employees: "You need to have an IQ of 5 to know
2 that when customers don't find mango they buy mint."⁶⁶⁴

3 534. On October 25, 2018, less than ten days after JLI presented its fraudulent, misleading
4 Action Plan to the FDA, Altria's CEO Howard Willard submitted a letter in response to the FDA's call
5 to combat the youth epidemic. Willard's letter was a clear indication of Altria's willingness to continue
6 the fraudulent scheme and deception of the FDA. While Willard's letter confirmed that Altria
7 understood that JLI's conduct and product was addicting many children to nicotine, this letter repeated
8 the misleading statement that mint was a "traditional tobacco flavor" despite Altria and JLI knowing it
9 was no such thing. Willard then claimed that the youth epidemic was caused, in part, by "flavors that
10 go beyond traditional tobacco flavors"—which, according to JLI and Altria, did not include mint—and
11 announced that Altria would discontinue all MarkTen flavors except for "traditional tobacco, menthol
12 and mint flavors." Willard asserted that these three flavors were essential for transitioning smokers.
13 But Willard, and Altria, knew this was not true.⁶⁶⁵

14 535. That same day—October 25, 2018—Altria continued its deception on an earnings call
15 with investors. Altria fraudulently described its decision to remove its pod-based products from the
16 market as one intended to address the dramatic increase in youth e-cigarette use, while it was only
17 weeks away from publicly announcing its 35% stake in JLI:
18
19

20 We recently met with Commissioner Gottlieb to discuss steps that could be taken to
21 address underage access and use. Consistent with our discussion with the FDA and
22 because we believe in the long-term promise of e-vapor products and harm reduction,
23 we're taking immediate action to address this complex situation.

24 First, Nu Mark will remove from the market MarkTen Elite and Apex by MarkTen pod-
25 based products until these products receive a market order from the FDA or the youth
26 issue is otherwise addressed. Second, for our remaining MarkTen and Green Smoke
cig-a-like products, Nu Mark will sell only tobacco, menthol and mint varieties. Nu
Mark will discontinue the sale of all other flavor variants of our cig-a-like products until

27 ⁶⁶⁴ Angelica LaVito, *Former JLI executive sues over retaliation, claims company knowingly sold*
28 *tainted nicotine pods*, CNBC (Oct. 30, 2019), <https://www.cnbc.com/2019/10/30/former-juul-executive-sues-over-retaliation-claims-company-knowingly-sold-tainted-pods.html>.

⁶⁶⁵ Letter from Howard Willard III, Altria to Senator Durbin, et. al. (Oct. 14, 2019).

1 these products receive a market order from the FDA or the youth issue is otherwise
 2 addressed. Although we don't believe we have a current issue with youth access or use
 3 of our e-vapor products, we are taking this action, because we don't want to risk
 contributing to the issue.

4 After removing Nu Mark's pod-based products and cig-a-like flavor variants,
 5 approximately 80% of Nu Mark's e-vapor volume in the third quarter of 2018 will
 remain on the market.⁶⁶⁶

6 536. Willard reiterated that "pod-based products and flavored products" were behind the
 7 increase in youth use of e-cigarettes:

8 I mean, I think the way we thought about this was that we believe e-vapor has a lot of
 9 opportunity to convert adult cigarette smokers in the short, medium and long-term, but
 10 clearly, this significant increase in youth usage of the products puts that at risk and we
 11 think rapid and significant action is necessary. And I think as we looked at the data that
 12 is available in some of the remarks from the FDA, I think we concluded that the driver
 of the recent increase we think is pod-based products and flavored products and so we
 thought that the two actions that we took addressed the drivers of the increased youth
 usage here in the short run.⁶⁶⁷

13 537. Willard emphasized that Altria's withdrawal of its own pod-based products was
 14 intended to address youth use: "[W]e really feel like in light of this dramatic increase in youth usage,
 15 withdrawing those products until the PMTA is filed is one path forward." He later said: "And frankly,
 16 the actions we took were the actions that we thought we could take that would have the biggest impact
 17 on addressing the increased use of e-vapor products by youth . . . we wanted to make a significant
 18 contribution to addressing the issue."⁶⁶⁸ As noted above, however, it has since been reported that Altria
 19 "pulled its e-cigarettes off the market" not out of concern for the epidemic of youth nicotine addiction
 20 that JLI created, but because a non-compete clause was a "part of its deal with J[LI]".⁶⁶⁹

21 538. Thus, while Altria publicly announced that it would pull its pod-based products to
 22 combat youth usage, and publicly seemed to support removal of youth-friendly flavors, its defense of
 23 mint as a tobacco-analog was actually part of the scheme to protect the profits associated with JLI's
 24

26 ⁶⁶⁶ Altria Group Inc (MO) Q3 2018 Earnings Conference Call Transcript MO earnings call for the
 27 period ending September 30, 2018 (Oct. 25, 2018).

28 ⁶⁶⁷ *Id.*

⁶⁶⁸ *Id.*

⁶⁶⁹ *Id.*

1 mint JUUL pods, one of JLI's strongest products with the highest nicotine content and highest
2 popularity among non-smokers and youth.

3 539. In support of his arguments to the FDA that mint was a flavor for adult smokers,
4 Willard cited to a study that Altria had conducted and presented at a conference that JLI attended.⁶⁷⁰
5 But Willard did *not* disclose that Altria's "study" was merely a "quasi-experimental online survey" and
6 not a true scientific study.⁶⁷¹ Notably, JLI's current CEO, K.C. Crosthwaite, was the President and
7 Chief Growth Officer of Altria Client Services, which conducted Altria's mint "study" in Spring 2017,
8 the same time that the Management Defendants and Altria began their "confidential negotiations."⁶⁷²
9 Willard did not disclose that this study was contradicted by the "youth prevention" data provided by
10 JLI during its acquisition due-diligence showing that mint was popular among teens.

11 540. Through these letters, Altria sought to prevent the FDA—which was actively
12 considering regulating flavors⁶⁷³—from banning JLI's mint JUULpods.

13 541. Acting in concert, JLI and Altria committed acts of mail or wire fraud when (1) JLI
14 transmitted its Action Plan to the FDA and the public; and (2) Altria transmitted Willard's letter to the
15 FDA.

16 542. At the heart of these acts of fraud was Defendants' characterization of mint as a tobacco
17 product that was targeted to adult smokers. This characterization was fraudulent because Defendants
18 knew kids prefer mint flavor and that JLI designed mint to be one of JLI's most potent products. Altria
19 supported this plan and helped execute it. Together, these actions by JLI and Altria ensured that mint
20
21
22

23 ⁶⁷⁰ Jessica Parker Zdinak, Ph.D., *E-vapor Product Appeal Among Tobacco Users and Non-users and*
24 *the Role of Flavor in Tobacco Harm Reduction*, 72nd Tobacco Science Research Conference (Sept.
25 18, 2018), [https://sciences.altria.com/library/-](https://sciences.altria.com/library/-/media/Project/Altria/Sciences/library/conferences/2018%20TSRC%20J%20Zdniak%20Presentation.pdf)
26 [/media/Project/Altria/Sciences/library/conferences/2018%20TSRC%20J%20Zdniak%20Presentation.](https://sciences.altria.com/library/-/media/Project/Altria/Sciences/library/conferences/2018%20TSRC%20J%20Zdniak%20Presentation.pdf)
pdf.

27 ⁶⁷¹ *Id.*

28 ⁶⁷² Letter from Howard Willard III, Altria to Senator Durbin, et. al. (Oct. 14, 2019).

⁶⁷³ Alex Lardieri, *FDA Considers Ban on E-Cigarette Flavors Amid 'Epidemic' Use By Teens*, U.S.
News & World Report (Sept. 12, 2018), [https://www.usnews.com/news/health-care-](https://www.usnews.com/news/health-care-news/articles/2018-09-12/fda-considers-ban-on-e-cigarette-flavors-amid-epidemic-use-by-teens)
news/articles/2018-09-12/fda-considers-ban-on-e-cigarette-flavors-amid-epidemic-use-by-teens.

1 would remain available to youths for many months, furthering their efforts to maintain and expand the
2 number of nicotine-addicted e-cigarette users in order to ensure a steady and growing customer base.

3 543. The deceptive scheme worked—the FDA did not protest JLI and Altria’s plan. And on
4 December 20, 2018, one month after JLI announced its Action Plan to keep selling mint, Altria made a
5 \$12.8 billion equity investment in JLI.
6

7 544. By February of 2019, the FDA became aware that it had been deceived by JLI and
8 Altria. On February 6, 2019, then-FDA commissioner Gottlieb wrote JLI and Altria demanding in-
9 person meetings, excoriating Altria for its “newly announced plans with JUUL [that] *contradict the*
10 *commitments you made to the FDA*” in a prior meeting and Willard’s October 25, 2018 letter to the
11 FDA.⁶⁷⁴ Gottlieb’s letter to JLI alleged that JLI’s conduct was “inconsistent with its previous
12 representations to the FDA.”⁶⁷⁵
13

14 545. The FDA demanded Altria be prepared to explain itself regarding its “plans to stop
15 marketing e-cigarettes and to address the crisis of youth use of e-cigarettes.” Then-Commissioner
16 Gottlieb told Altria that “deeply concerning data” shows that “youth use of JUUL represents a
17 significant proportion of overall use of e-cigarette products by children” and despite any alleged steps
18 the companies had taken to address the issue he “ha[d] no reason to believe these youth patterns of use
19 are abating in the near term, and they certainly do not appear to be reversing.”
20

21 546. JLI and Altria met with Gottlieb in March 2019 in a meeting the then-Commissioner
22 described as “difficult.”⁶⁷⁶ Gottlieb “did not come away with any evidence that public health concerns
23 drove Altria’s decision to invest in JLI, and instead said it looked like a business decision. According
24 to reporting by the *New York Times*, Gottlieb angrily criticized JLI’s lobbying of Congress and the
25 White House, stating:
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27 ⁶⁷⁴ Letter from Scott Gottlieb, FDA to Howard Willard, Altria (Feb. 9, 2019).

28 ⁶⁷⁵ Letter from Scott Gottlieb, FDA to Kevin Burns, JUUL Labs, Inc. (Feb. 9, 2019).

⁶⁷⁶ Kate Rooney & Angelica LaVito, *Altria Shares Fall After FDA’s Gottlieb Describes ‘Difficult’ Meeting on Juul*, CNBC (Mar. 19, 2019), <https://www.cnbc.com/2019/03/19/altria-shares-fall-after-fdas-gottlieb-describes-difficult-meeting-on-juul.html>.

1 We have taken your meetings, returned your calls and I had personally met with you
 2 more times than I met with any other regulated company, and yet you still tried to go
 3 around us to the Hill and White House and undermine our public health efforts. I was
 trying to curb the illegal use by kids of your product and you are fighting me on it.⁶⁷⁷

4 547. But just a week after the “difficult” meeting with JLI and Altria, Gottlieb posted a
 5 statement about the FDA’s new e-cigarette policy, proposing to ban all flavors *except* “tobacco-, mint-
 6 and menthol-flavored products.”⁶⁷⁸ He cited the strong support of President Trump (whose
 7 administration JLI had aggressively lobbied⁶⁷⁹), and also cited “recent evidence indicat[ing] that mint-
 8 and menthol-flavored ENDS products are preferred more by adults than minors.”⁶⁸⁰ Just a few weeks
 9 later, Gottlieb resigned from his position as commissioner of the FDA.
 10

11 548. The scheme had succeeded in saving mint JUUL pods, as well as each Defendant’s
 12 bottom line. JLI’s sale of mint JUUL pods rose from one third of its sales in September 2018 to
 13 approximately two thirds in February 2019. JLI’s 2019 revenues were estimated to be between \$2.36
 14 billion and \$3.4 billion, and mint JUUL pods accounted for approximately 75% of JLI’s total 2019
 15 sales. And because mint remained on the market until JLI withdrew it in November 2019 in the face of
 16 growing scrutiny,⁶⁸¹ thousands, if not millions, of underage JUUL users suffered the consequences.
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21 ⁶⁷⁷ Julie Creswell & Sheila Kaplan, *How Juul Hooked a Generation on Nicotine*, N.Y. TIMES (Nov. 24,
 22 2019), <https://www.nytimes.com/2019/11/23/health/juul-vaping-crisis.html>.

23 ⁶⁷⁸ News Release, *Statement from FDA Commissioner Scott Gottlieb, M.D., on advancing new policies*
 24 *aimed at preventing youth access to, and appeal of, flavored tobacco products, including e-cigarettes*
 25 *and cigars*, U.S. FDA (Mar. 13, 2019), [https://www.fda.gov/news-events/press-](https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-advancing-new-policies-aimed-preventing-youth-access)
 26 [announcements/statement-fda-commissioner-scott-gottlieb-md-advancing-new-policies-aimed-](https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-advancing-new-policies-aimed-preventing-youth-access)
 27 [preventing-youth-access](https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-advancing-new-policies-aimed-preventing-youth-access).

28 ⁶⁷⁹ Evan Sully & Ben Brody, *JLI Spent Record \$1.2 Million Lobbying as Regulators Stepped Up*,
 BLOOMBERG (Oct. 22, 2019) [https://www.bloomberg.com/news/articles/2019-10-22/juul-spent-](https://www.bloomberg.com/news/articles/2019-10-22/juul-spent-record-1-2-million-lobbying-as-regulators-stepped-up)
[record-1-2-million-lobbying-as-regulators-stepped-up](https://www.bloomberg.com/news/articles/2019-10-22/juul-spent-record-1-2-million-lobbying-as-regulators-stepped-up).

⁶⁸⁰ *Id.*

⁶⁸¹ Ellen Huet, *JLI Pulls Mint-Flavor Vaping Products, but Menthol Remains*, Bloomberg (Nov. 7,
 2019), [https://www.bloomberg.com/news/articles/2019-11-07/juul-stops-selling-mint-flavored-](https://www.bloomberg.com/news/articles/2019-11-07/juul-stops-selling-mint-flavored-vaping-products)
[vaping-products](https://www.bloomberg.com/news/articles/2019-11-07/juul-stops-selling-mint-flavored-vaping-products).

549. As former New York City Mayor Mike Bloomberg stated: “JUUL’s decision to keep mint- and menthol-flavored e-cigarettes on the shelves is a page right out of the tobacco industry’s playbook.”⁶⁸²

550. JLI continues to sell menthol-flavored products.⁶⁸³

3. In Response to the Public Health Crisis Created by JUUL, the FDA Belatedly Tried to Slow the Epidemic.

551. In 2017, the FDA announced that it would be taking steps to regulate e-cigarette devices such as JUUL. In late 2017, the FDA initiated its investigation of e-cigarette companies’ advertising and sales practices. But, as noted above, the FDA’s 2017 Compliance Policy issued a four-year extension for compliance with the 2016 deeming rule, apparently to “balance between regulation and encouraging development of innovative tobacco products that may be less harmful than cigarettes.”⁶⁸⁴ In March 2018, the 2017 Compliance Policy was challenged by the American Academy of Pediatrics, along with other public health organizations concerned that a compliance extension for the e-cigarette industry would allow more e-cigarette products into the market and continue to addict thousands of youth.⁶⁸⁵

552. In March 2019, the FDA drafted guidance that modified the 2017 Compliance Policy, but it did not go into full effect. However, on May 15, 2019, the lawsuit filed by the American Academy of Pediatrics was successful—the U.S. District Court for the District of Maryland vacated the 2017 Compliance Policy, and directed the FDA to “require that premarket authorization

⁶⁸² *Id.*

⁶⁸³ Sheila Kaplan, *Juul Halts Sales of Mint, Its Top-Selling e-Cigarette Flavor*, N.Y. Times (Nov. 7, 2019), <https://www.nytimes.com/2019/11/07/health/vaping-juul-mint-flavors.html>.

⁶⁸⁴ *Enforcement Priorities for Electronic Nicotine Delivery Systems (ENDS) and Other Deemed Products on the Market Without Premarket Authorization*, U.S. FDA (Jan. 2020), <https://www.fda.gov/media/133880/download>.

⁶⁸⁵ *Id.*

1 applications for all new deemed products” (“new” referred to any product launched after February 15,
2 2007 and thus would include JUUL) be submitted within ten months, by May 2020.⁶⁸⁶

3 553. In January 2020, the FDA issued: *Enforcement Priorities for Electronic Nicotine*
4 *Delivery Systems (ENDS) and Other Deemed Products on the Market Without Premarket*
5 *Authorization: Guidance for Industry* (“2020 FDA Guidance”), directed at the e-cigarette industry,
6 which detailed the FDA’s plan to prioritize enforcement of regulations prohibiting the sale of flavored
7 e-cigarette products and prohibiting the targeting of youth and minors.⁶⁸⁷ The 2020 FDA Guidance
8 focused on flavored e-cigarettes that appeal to children, including fruit and mint: “[C]ompanies that do
9 not cease manufacture, distribution and sale of unauthorized flavored cartridge-based e-
10 cigarettes . . . within 30 days risk FDA enforcement actions.”⁶⁸⁸

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12
13 **4. The Government’s Efforts to Address the JUUL Crisis Were Too Late and the**
14 **Damage Has Already Been Done.**

15 554. By the time the FDA acted, youth consumption of e-cigarettes had already reached an
16 all-time high, and the e-cigarette industry’s presence on social media became an unstoppable force.
17 The 2020 FDA Guidance acknowledges that two of the largest 2019 surveys of youth cigarette use
18 found that e-cigarette use had reached the highest levels ever recorded.⁶⁸⁹ By December 2019, there
19 were over 2,500 reported cases of e-cigarette related hospitalization for lung injury, including over
20 fifty confirmed deaths.⁶⁹⁰ Despite the FDA’s efforts between 2017 and 2019, youth consumption of e-
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23 ⁶⁸⁶ *Id.*; *Am. Academy of Pediatrics v. FDA*, 379 F. Supp. 3d 461, 496 (D. Md. 2019).

24 ⁶⁸⁷ *Id.*

25 ⁶⁸⁸ News Release, *FDA Finalizes Enforcement Policy on Unauthorized Flavored Cartridge-Based E-*
26 *Cigarettes That Appeal to Children, Including Fruit and Mint*, U.S. FDA (Jan. 2, 2020),
27 [https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-](https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children)
28 [unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children](https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children).

⁶⁸⁹ *Enforcement Priorities for Electronic Nicotine Delivery Systems (ENDS) and Other Deemed*
Products on the Market Without Premarket Authorization, U.S. FDA (Jan. 2020),
<https://www.fda.gov/media/133880/download>.

⁶⁹⁰ Karen A. Cullen et al., *E-cigarette Use Among Youth in the United States, 2019*, 322 JAMA 2095 (2019), <https://jamanetwork.com/journals/jama/fullarticle/2755265>.

1 cigarettes doubled among middle and high school students over the same period.⁶⁹¹ In 2019, the total
 2 number of middle and high school students reporting current use of e-cigarettes surpassed five million
 3 for the first time in history.⁶⁹²

4 555. JLI's presence on social media has also persisted, even without further initiation by
 5 JLI—the hallmark of a successful viral marketing campaign. When the “#juul” hashtag was first used
 6 on social media, it was a series of thirteen tweets on Twitter. By the time JLI announced it would shut
 7 down its Instagram account, “#juul” had been featured in over 250,000 posts on Instagram. A study by
 8 Stanford University found that in the eight months after JLI ceased all promotional postings,
 9 community posting accelerated, to nearly half a million posts. Whereas before JLI exited Instagram,
 10 “#juul” appeared on average in 315 posts per day, that number tripled to 1084 posts per day after JLI
 11 shut down its Instagram account.⁶⁹³

12 13 556. The FDA's anti-e-cigarette campaign on social media was aimed at youth and middle
 14 and high school students. The campaign used the slogan “The Real Cost” to educate youth on social
 15 media platforms about the health impacts of e-cigarette consumption—the real cost of using e-
 16 cigarettes. A recent study from the University of California Berkeley found that since September 2018,
 17 when the FDA's social media campaign began, the hashtag “#TheRealCost” was used about fifty times
 18 per month on Instagram. By comparison, e-cigarette related hashtags were used as many as 10,000
 19 times more often. Despite the FDA's social media intervention, the number of e-cigarette related posts,
 20 and the median number of likes (a strong metric of viewer engagement) the posts received, increased
 21 three-fold and six-fold, respectively.⁶⁹⁴

22 23 24 _____
 25 ⁶⁹¹ *Id.*

⁶⁹² *Id.*

26 ⁶⁹³ Robert K. Jackler et al., *Rapid Growth of JUUL Hashtags After the Company Ceased Social Media*
 27 *Promotion*, Stanford Research Into the Impact of Tobacco Advertising (July 22, 2019),
http://tobacco.stanford.edu/tobacco_main/publications/Hashtag_JUUL_Project_7-22-19F.pdf.

28 ⁶⁹⁴ Julia Vassey, *#Vape: Measuring E-cigarette Influence on Instagram With Deep Learning and Text*
Analysis, 4 *Frontiers in Commc'n* 75 (2020),
<https://www.frontiersin.org/articles/10.3389/fcomm.2019.00075/full>.

1 557. In short, by the time the FDA reacted to the epidemic created by Defendants, millions
2 of youth were addicted to e-cigarettes and nicotine, and were sharing e-cigarette related posts on social
3 media on their own.

4 V. GOVERNMENT ENTITY FACTUAL ALLEGATIONS

5 A. E-cigarette Use in Schools

6 558. In addition to severe health consequences, widespread e-cigarette use, and particularly
7 JUUL use, has placed severe burdens on society and schools in particular. It is not an overstatement to
8 say that JUUL has changed the high school and even middle school experience of students across the
9 nation. As one e-cigarette shop manager told KOMO News, “It’s the new high school thing.
10 Everyone’s got the JUUL.”⁶⁹⁵

11 559. The JUUL youth addiction epidemic spread rapidly across high schools in the United
12 States. JUUL surged in popularity, largely through social media networks, and created patterns of
13 youth usage, illegal youth transactions, and addiction, that are consistent with the account from Reddit
14 that described widespread JUUL use discussed above.

15 560. E-cigarette use has completely changed school bathrooms—now known as “the Juul
16 room.”⁶⁹⁶ As one high school student explained, “it’s just a cloud.”⁶⁹⁷

17 561. As another high school student explained, “You can pull it out, you can have it
18 anywhere. To smoke a cigarette you have to hit the bus stop. You want a Juul you hit the bathroom,
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24 ⁶⁹⁵ *Juuling at School*, KOMO News (2019), <https://komonews.com/news/healthworks/dangerous-teen-trend-juuling-at-school>.

25 ⁶⁹⁶ Moriah Balingit, *In the ‘Juul room’: E-cigarettes spawn a form of teen addiction that worries*
26 *doctors, parents and schools*, Wash. Post (July 26, 2019),
27 https://www.washingtonpost.com/local/education/helpless-to-the-draw-of-nicotine-doctors-parents-and-schools-grapple-with-teens-addicted-to-e-cigarettes/2019/07/25/e1e8ac9c-830a-11e9-933d-7501070ee669_story.html.

28 ⁶⁹⁷ Greta Jochem, *Juuling in School: e-Cigarette Use Prevalent Among Local Youth*, Daily Hampshire Gazette (Nov. 13, 2018), <https://www.gazettenet.com/Juuling-in-Schools-21439655>.

1 it's easy."⁶⁹⁸ He added that JLI "market[s] it as an alternative to cigarettes but really it's a bunch of
 2 kids who have never picked up a pack and they're starting their nicotine addiction there."⁶⁹⁹ Students
 3 at another high school stated that classmates had "set off the fire alarm four times last year from vaping
 4 in the bathrooms [at school]," adding that it is commonplace to see students using e-cigarettes in
 5 school bathrooms or in the parking lot.⁷⁰⁰

6
 7 562. An April 20, 2018 article in *The Wall Street Journal* described the problems parents and
 8 schools are facing with the meteoric rise of nicotine use by America's youth:

9 At Northern High School in Dillsburg, Pa., Principal Steve Lehman's locked safe,
 10 which once contained the occasional pack of confiscated cigarettes, is now filled with
 around 40 devices that look like flash drives.

11 The device is called a Juul and it is a type of e-cigarette that delivers a powerful dose of
 12 nicotine, derived from tobacco, in a patented salt solution that smokers say closely
 13 mimics the feeling of inhaling cigarettes. It has become a coveted teen status symbol
 14 and a growing problem in high schools and middle schools, spreading with a speed that
 has taken teachers, parents and school administrators by surprise.

* * *

15 After two decades of declining teen cigarette use, "JUULing" is exploding. The JUUL
 16 liquid's 5% nicotine concentration is significantly higher than that of most other
 17 commercially available e-cigarettes. JUUL Labs Inc., maker of the device, says one
 18 liquid pod delivers nicotine comparable to that delivered by a pack of cigarettes, or 200
 19 puffs—important for adult smokers trying to switch to an e-cigarette. It is also part of
 what attracts teens to the product, which some experts say is potentially as addictive as
 cigarettes and has schools and parents scrambling to get a grip on the problem.⁷⁰¹

20 563. This impact was only made worse by JLI intentionally targeting schools, as described
 21 above.

24 ⁶⁹⁸ Alison Grande, 'Juuling': Vaping device that looks like USB drive popular with teens, KIRO 7
 25 (Dec. 8, 2017), [https://www.kiro7.com/news/local/juuling-vaping-device-that-looks-like-usb-drive-
 popular-with-teens/660965605/](https://www.kiro7.com/news/local/juuling-vaping-device-that-looks-like-usb-drive-popular-with-teens/660965605/).

26 ⁶⁹⁹ *Id.*

27 ⁷⁰⁰ Manisha Jha, 'You need to stop vaping right now': Students and faculty react to Washington vape
 ban, *The Daily, U. of Wash.* (Sept. 30, 2019), [http://www.dailyuw.com/news/article_960d8692-e324-
 11e9-870c-9f9d571115d6.html](http://www.dailyuw.com/news/article_960d8692-e324-11e9-870c-9f9d571115d6.html).

28 ⁷⁰¹ Anne Marie Chaker, *Schools and Parents Fight a Juul E-Cigarette Epidemic*, *Wall St. J.* (Apr. 4,
 2018), <https://www.wsj.com/articles/schools-parents-fight-a-juul-e-cigarette-epidemic-1522677246>.

1 564. Such rampant e-cigarette use has effectively added another category to teachers' and
 2 school administrators' job descriptions; many now receive special training to respond to the various
 3 problems that youth e-cigarette use presents, both in and out of the classroom. A national survey of
 4 middle schools and high schools found that 44.4% of schools have had to implement policies to
 5 address JUUL use.⁷⁰² Participants in the survey reported multiple barriers to enforcing these policies,
 6 including the discreet appearance of the product, difficulty pinpointing the vapor or scent, and the
 7 addictive nature of the product.
 8

9 565. Across the United States, schools have had to divert resources and administrators have
 10 had to go to extreme lengths to respond to the ever-growing number of students using e-cigarettes on
 11 school grounds, including in restrooms. According to the *Truth Initiative*, more than 40% of all
 12 teachers and administrators reported responding to the JUUL crisis through camera surveillance near
 13 the school's restroom; almost half (46%) reported camera surveillance elsewhere in the school; and
 14 23% reported using assigned teachers for restroom surveillance.⁷⁰³ Some schools have responded by
 15 removing bathroom doors or even shutting bathrooms down, and schools have banned flash drives to
 16 avoid any confusion between flash drives and JUUL. Schools have also paid thousands of dollars to
 17 install special monitors to detect e-cigarette use, which they say is a small price to pay compared to the
 18 plumbing repairs otherwise spent as a result of students flushing e-cigarette paraphernalia down toilets.
 19 Other school districts have sought state grant money to create new positions for tobacco prevention
 20 supervisors, who get phone alerts when e-cigarette smoke is detected in bathrooms.
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 25 ⁷⁰² Barbara A. Schillo, PhD et al., *JUUL in School: Teacher and Administrator Awareness and*
 26 *Policies of E-Cigarettes and JUUL in U.S. Middle and High Schools*, Truth Initiative Vol. 21(1)
 27 Health Promotion Practice 20-24 (Sept. 18, 2019),
[https://journals.sagepub.com/doi/full/10.1177/1524839919868222?url_ver=Z39.88-](https://journals.sagepub.com/doi/full/10.1177/1524839919868222?url_ver=Z39.88-2003&rfr_id=ori:rid:crossref.org&rfr_dat=cr_pub%3dpubmed)
[2003&rfr_id=ori:rid:crossref.org&rfr_dat=cr_pub%3dpubmed](https://journals.sagepub.com/doi/full/10.1177/1524839919868222?url_ver=Z39.88-2003&rfr_id=ori:rid:crossref.org&rfr_dat=cr_pub%3dpubmed).

28 ⁷⁰³ *How are schools responding to JUUL and the youth e-cigarette epidemic?*, Truth Initiative (Jan. 18, 2019), <https://truthinitiative.org/research-resources/emerging-tobacco-products/how-are-schools-responding-juul-and-youth-e-cigarette>.

566. Many schools have also shifted their disciplinary policies in order to effectively address the youth e-cigarette epidemic. Rather than immediately suspending students for a first offense, school districts have created anti-e-cigarette curricula which students are required to follow in sessions held outside of normal school hours, including on Saturdays. Teachers prepare lessons and study materials for these sessions with information on the marketing and health dangers of e-cigarettes—extra work which requires teachers to work atypical hours early in the mornings and on weekends. Some schools will increase their drug testing budget to include random nicotine tests for students before they join extracurricular activities. Under this drug-testing protocol, first offenders will undergo drug and alcohol educational programming; second and third offenders will be forced to sit out from extracurricular activities and attend substance abuse counseling.

567. A July 26, 2019 article in *The Washington Post* noted the measures some schools were taking to combat “JUULing” by students:

Many schools are at a loss for how to deal with Juuls and other e-cigarettes. Some educators report increases in the number of students being suspended after they’re caught with e-cigarettes.

Desperate school administrators have banned USB drives because they’re indistinguishable from Juuls. Others removed bathroom doors because teens were regularly gathering there to vape, and some have even started searching students.

Jonathon Bryant, chief administrator of Lincoln Charter School in North Carolina, estimated that three-quarters of suspensions in the just-completed academic year were related to vaping, and some students were suspended more than once.⁷⁰⁴

568. JUUL’s prevalence in schools is not a coincidence; JLI actively sought to enter school campuses. [REDACTED]

[REDACTED]⁷⁰⁵ [REDACTED]⁷⁰⁶

⁷⁰⁴ Moriah Balingit, *In the ‘Juul room’: E-cigarettes spawn a form of teen addiction that worries doctors, parents and schools*, Wash. Post (July 26, 2019), https://www.washingtonpost.com/local/education/helpless-to-the-draw-of-nicotine-doctors-parents-and-schools-grapple-with-teens-addicted-to-e-cigarettes/2019/07/25/e1e8ac9c-830a-11e9-933d-7501070ee669_story.html.

⁷⁰⁵ See, e.g., INREJUUL_00211242-243 at 242.

569. As discussed above, the U.S. House Subcommittee on Economic and Consumer Policy (“Subcommittee”) conducted a months-long investigation of JLI, including reviewing tens of thousands of internal documents, and concluded that JLI “deliberately targeted children in order to become the nation’s largest seller of e-cigarettes.”⁷⁰⁷ The Subcommittee found that “(1) JUUL deployed a sophisticated program to enter schools and convey its messaging directly to teenage children; (2) JUUL also targeted teenagers and children, as young as eight years-old, in summer camps and public out-of-school programs; and (3) JUUL recruited thousands of online ‘influencers’ to market to teens.”⁷⁰⁸

570. According to the Subcommittee, JLI was willing to pay schools and organizations hundreds of thousands of dollars to have more direct access to kids. For example, JLI paid a Baltimore charter school organization \$134,000 to start a summer camp to teach kids healthy lifestyles, for which JLI itself would provide the curriculum.⁷⁰⁹ [REDACTED] ⁷¹⁰ JLI also offered schools \$10,000 to talk to students on campus and gave the Police Activities League in Richmond, California, almost \$90,000 to provide JLI’s own e-cigarette education program, “Moving On,” to teenage students suspended for using cigarettes. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] ⁷¹¹

571. Community members testified before the Subcommittee as to the content of one of JLI’s presentations in school. During JLI’s presentation to students, “[n]o parents or teachers were in

⁷⁰⁶ INREJUUL_00173409.

⁷⁰⁷ *Memorandum*, U.S. House Subcommittee on Econ. & Consumer Policy (July 25, 2019), <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Supplemental%20Memo.pdf>.

⁷⁰⁸ *Id.*

⁷⁰⁹ See INREJUUL_00194247-251; see also JLI-HOR-00003711-712 (invoice to JLI from The Freedom & Democracy Schools, Inc. for \$134,000 dated June 21, 2018).

⁷¹⁰ INREJUUL_0019427-251 at 428.

⁷¹¹ JLI-HOR-00002180-184 at 181-182.

1 the room, and JUUL’s messaging was that the product was ‘totally safe.’ The presenter even
 2 demonstrated to the kids how to use a JUUL.”⁷¹²

3 572. In 2018, a representative from JLI spoke at a high school during a presentation for ninth
 4 graders, stating that JUUL “was much safer than cigarettes,” that the “FDA would approve it any day,”
 5 that JUUL was “totally safe,” that JUUL was a “safer alternative than smoking cigarettes, and it would
 6 be better for the kid to use,” and that the “FDA was about to come out and say it [JUUL] was 99%
 7 safer than cigarettes . . . and that . . . would happen very soon[.]”⁷¹³ “The presenter even demonstrated
 8 to the kids how to use a JUUL.”⁷¹⁴

10 573. In the FDA’s September 9, 2019 Warning Letter, which discussed this presentation to
 11 ninth graders, the agency noted its “concern is amplified by the epidemic rate of increase in youth use
 12 of ENDS products, including JUUL’s products, and evidence that ENDS products contribute to youth
 13 use of, and addiction to, nicotine, to which youth are especially vulnerable.”⁷¹⁵

15 574. The FDA’s Center for Tobacco Products issued a separate letter to JUUL CEO Kevin
 16 Burns, requesting “documents and information from JUUL Labs, Inc. (JUUL) regarding JUUL’s
 17 marketing, advertising, promotional, and educational campaigns, as well as certain product
 18 development activity.”⁷¹⁶ The FDA also issued a news release on September 9, 2019, in which it
 19 chided JUUL for its role in the youth e-cigarette epidemic, noting “[s]ome of this youth use appears to
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23 ⁷¹² Committee Staff, *Memorandum re: Supplemental Memo for Hearing on “Examining JUUL’s Role*
 24 *in the Youth Nicotine Epidemic: Parts I & II* (“Supplemental Memo for Hearing”) at 1,
 25 Subcommittee on Econ. & Consumer Policy (July 25, 2019),
 26 <https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Supplemental%20Memo.pdf>.

27 ⁷¹³ *Juul Labs, Inc. Warning Letter*, FDA (Sept. 9, 2019), <https://www.fda.gov/inspections-compliance-enforcement-and-criminal-investigations/warning-letters/juul-labs-inc-590950-09092019>.

28 ⁷¹⁴ Subcommittee on Economic and Consumer Policy Memo (July 25, 2019).

⁷¹⁵ *Id.*

⁷¹⁶ Letter from Mitchell Zeller, Director, Center for Tobacco Products, to Kevin Burns, CEO of JUUL Labs, Inc. at 1 (Sept. 9, 2019), <https://www.fda.gov/media/130859/download>.

1 have been a direct result of JUUL's *product design and promotional activities* and outreach efforts,"
 2 in particular, its outreach efforts to students.⁷¹⁷

3 575. The Center for Tobacco Products letter requested documents and explanations on
 4 multiple topics, including, but not limited to:

5 Ms. Meredith Berkman, Co-founder, Parents Against Vaping e-cigarettes (PAVe),
 6 testified that, "In California, a retired school superintendent was offering schools in his
 7 state and in Massachusetts money if they would implement the anti-JUUL curriculum
 8 that...a man named Bruce Harder was offering on JUUL's behalf."

9 * * *

10 On July 25, 2019, in response to questions from Chairman Krishnamoorthi about
 11 JUUL's program to pay schools \$10,000 or more to use a JUUL "youth prevention"
 12 curriculum, Ms. Ashley Gould, Chief Administrative Officer, JUUL Labs, Inc.,
 testified: "That is not currently the case. We ended that program in the fall of 2018,"
 and that, "...there were six schools that received funding from JUUL to implement
 programming to prevent teen vaping..."

13 In addition, in response to questions from Chairman Krishnamoorthi about internal
 14 JUUL correspondence in 2018 about setting up a booth at a school health fair, Ms.
 Gould testified that JUUL ended its youth prevention program.⁷¹⁸

15 576. JLI also sponsored a "Saturday School Program" in which students caught using e-
 16 cigarettes in school were presented with JLI-sponsored curriculum and snacks, and JLI "established the
 17 right to collect student information from the sessions."⁷¹⁹ A JLI spokesman said the company is no
 18 longer funding such programs.

19 577. As mentioned above, the problems with JLI's youth prevention programs were
 20 widespread. According to outside analyses, "the JUUL Curriculum is not portraying the harmful
 21

22
 23 ⁷¹⁷ FDA warns JUUL Labs for marketing unauthorized modified risk tobacco products, including in
 24 outreach to youth, FDA (Sept. 9, 2019), [https://www.fda.gov/news-events/press-announcements/fda-](https://www.fda.gov/news-events/press-announcements/fda-warns-juul-labs-marketing-unauthorized-modified-risk-tobacco-products-including-outreach-youth)
 25 warns-juul-labs-marketing-unauthorized-modified-risk-tobacco-products-including-outreach-youth
 (emphasis added) Letter from Center for Tobacco Products, to Kevin Burns, CEO of JUUL Labs, Inc.
 (Sept. 9, 2019), <https://www.fda.gov/media/130859/download>.

26 ⁷¹⁸ Letter from Mitchell Zeller, Director, Center for Tobacco Products, to Kevin Burns, CEO of JUUL
 Labs, Inc. at 2 (Sept. 9, 2019), <https://www.fda.gov/media/130859/download>.

27 ⁷¹⁹ Committee Staff, *Memorandum re: Supplemental Memo for Hearing on "Examining JUUL's Role*
 28 *in the Youth Nicotine Epidemic: Parts 1 & II* ("Supplemental Memo for Hearing") at 2,
 Subcommittee on Econ. & Consumer Policy (July 25, 2019),
<https://oversight.house.gov/sites/democrats.oversight.house.gov/files/Supplemental%20Memo.pdf>.

1 details of their product, similar to how past tobacco industry curricula left out details of the health risks
 2 of cigarette use.”⁷²⁰ Although it is well-known that teaching children to deconstruct ads is one of the
 3 most effective prevention techniques, JLI programs entirely omitted this skill, and JLI’s curriculum
 4 barely mentioned JUUL products as among the potentially harmful products to avoid.⁷²¹ As one expert
 5 pointed out, “we know, more from anecdotal research, that [teens] may consider [JUULs] to be a
 6 vaping device, but they don’t call it that. So when you say to a young person, ‘Vapes or e-cigarettes are
 7 harmful,’ they say, ‘Oh I know, but I’m using a JUUL.’”⁷²²

9 578. Internal emails confirm both that JLI employees knew about the similarities of JLI’s
 10 “youth prevention program” to the earlier pretextual antismoking campaigns by the cigarette industry
 11 and that JLI management at the highest levels was personally involved in these efforts. [REDACTED]
 12 [REDACTED]
 13 [REDACTED]
 14 [REDACTED]
 15 [REDACTED]
 16 [REDACTED]”⁷²³ [REDACTED]
 17 [REDACTED]⁷²⁴ [REDACTED]
 18 [REDACTED]
 19 [REDACTED]⁷²⁵ [REDACTED]
 20 [REDACTED]
 21 [REDACTED]
 22
 23

24 ⁷²⁰ Victoria Albert, *Juul Prevention Program Didn't School Kids on Dangers, Expert Says: SMOKE*
 25 *AND MIRRORS. JUUL—which made up 68 percent of the e-cigarette market as of mid-June—seems*
 26 *to have taken a page from the playbook of Big Tobacco*, The Daily Beast (Oct. 19, 2018),
<https://www.thedailybeast.com/juul-prevention-program-didnt-school-kids-on-dangers-expert-says>.

27 ⁷²¹ *Id.*

⁷²² *Id.*

⁷²³ INREJUUL_00197607-608 at 608.

⁷²⁴ *Id.* at 607.

⁷²⁵ INREJUUL_00196624-625.

1 [REDACTED].⁷²⁶ The paper concluded that “the Philip Morris’s [‘youth prevention’] campaign had
2 a counterproductive influence.”⁷²⁷

3 579. The Management Defendants were intimately involved in these “youth prevention”
4 activities. For example, [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 [REDACTED].⁷²⁸

8 580. [REDACTED]
9 [REDACTED].⁷²⁹ Eventually, JLI ended this version of its youth
10 prevention program, but the damage had been done: following the cigarette industry playbook, JLI had
11 hooked more youth on nicotine.

12 581. As the sales of JUUL continued to mushroom, it was readily apparent, and widely
13 reported, that the rapid growth in sales was due to the surging popularity of e-cigarette use among
14 teenagers. By March 2018, multiple national news outlets including *National Public Radio*, *USA*
15 *Today*, and *Business Insider* reported youth were using JUUL with alarming frequency, posting about
16 using JUUL in school restrooms on social media, and bragging about being able to use the device in
17 the classroom due to JUUL’s discreet design.

18 582. One of the priorities for JLI, Altria, and the Management Defendants was therefore to
19 control the messaging and narrative around youth e-cigarette use. Faced with an urgent, growing public
20 health crisis, national media attention, and the ire of the public, the FDA and members of Congress, the
21 Defendants realized that dis-information campaign was urgently needed to protect its bottom line. This
22 campaign was the “*Make the Switch*” campaign discussed above.
23
24

25
26 ⁷²⁶ INREJUUL_00265202.

27 ⁷²⁷ Matthew C. Farrelly et al., *Getting to the Truth: Evaluating National Tobacco Countermarketing*
28 *Campaigns*, 92 Am. J. Public Health 901 (2002),
<https://www.industrydocuments.ucsf.edu/tobacco/docs/#id=nxhb0024>.

⁷²⁸ JLI00151300.

⁷²⁹ INREJUUL_00194646.

583. The “*Make the Switch*” campaign was a cover-up, and its goal was to convince the public, including schools and public health departments, that JUUL had never marketed to youth and was instead intended to be a smoking cessation device. This campaign was false. As mentioned above, one of JLI’s engineers admitted, “we’re not trying to design a cessation product at all . . . anything about health is not on our mind.”⁷³⁰ And as described elsewhere herein, JLI and the Management Defendants directly targeted underage nonsmokers. Indeed, JLI did not mention the term “adult” or “adult smoker” on its Twitter feed until July 5, 2017. JLI, the Management Defendants, and Altria were all well aware that such users made up a significant percentage of JLI’s customer base in 2018—in fact, they counted on this customer base to grow and preserve JUUL’s market share—and that the statements they disseminated regarding “Make the Switch” from smoking being JLI’s mission from the start were fraudulent, to the detriment of schools and public health departments.

584. As JUUL sales skyrocketed in 2017 and 2018 and schools quickly became overwhelmed by this public health crisis, everyone from tobacco industry giants to e-cigarette start-ups launched their own products to take advantage of the illicit youth e-cigarette market Defendants created, using the key elements of JUUL’s design: flavor pods, nicotine salts, and a tech-like appearance.

585. The cigarette industry, which already marketed e-cigarettes, launched “JUULalike” versions of their products in 2018, in flavors such as Mango Apricot and Green Apple, and with nicotine salt formulations and higher nicotine content than their earlier e-cigarettes.⁷³¹

⁷³⁰ Kevin Roose, *Juul’s Convenient Smoke Screen*, N.Y. Times (Jan. 11, 2019), <https://www.nytimes.com/2019/01/11/technology/juul-cigarettes-marketing.html>.

⁷³¹ Rachel Becker, *Juul’s Nicotine Salts Are Dominating the Market – And Other Companies Want In*, The Verge (Nov. 21, 2018), <https://www.theverge.com/2018/11/21/18105969/juul-vaping-nicotine-salts-electronic-cigarettes-myblu-vuse-markten>; *blu Launches myblu E-Vapor Device*, CStore Decisions (Feb. 21, 2018), <https://cstoredecisions.com/2018/02/21/blu-launches-myblu-e-vapor-device/>; Angelica LaVito, *Juul’s momentum slips as NJOY woos customers with dollar e-cigarettes*, CNBC (Aug. 20, 2019), <https://www.cnbc.com/2019/08/20/juuls-momentum-slips-as-njoy-woos-customers-with-dollar-e-cigarettes.html>.

1 586. The launch of “JUULalike” products concerned Vince Willmore, Vice President of
 2 Communications for the Campaign for Tobacco-Free Kids. According to Willmore, “Juul is our
 3 biggest concern right as it is being widely used by kids across the country . . . [b]ut we are also
 4 concerned that the introduction of a growing number of Juul-like products could make the problem
 5 even worse.”⁷³² Willmore was not the only one worried. Then FDA Commissioner Gottlieb expressed
 6 concern about products copying JUUL’s features, stating that such products “closely resemble a USB
 7 flash drive, have high levels of nicotine and emissions that are hard to see. These characteristics may
 8 facilitate youth use, by making the products more attractive to children and teens.”⁷³³

10 587. Researchers from SRITA called it “a nicotine arms race,” writing that “JUUL’s success
 11 in the e-cigarette marketplace has spurred a variety of new pod-based products with exceptionally high
 12 nicotine.”⁷³⁴ “As of September 2018,” the researchers wrote, “there were at least 39 JUUL knock off
 13 devices on the market”—none of which were sold prior to the introduction of JUUL.⁷³⁵

15 588. The rapid proliferation of e-cigarette products in JUUL’s wake and the speed with
 16 which the e-cigarette market evolves make it difficult to enact effective legislative and regulatory
 17 measures.

18 589. The Secretary of HHS recognized, “The United States has never seen an epidemic of
 19 substance use arise as quickly as our current epidemic of youth use of e-cigarettes.”⁷³⁶ FDA
 20

21 ⁷³² Ben Tobin, *FDA targets e-cigarettes like Juul as teachers fear ‘epidemic’ use by students*, USA
 22 Today (Aug. 16, 2018), <https://www.usatoday.com/story/money/2018/08/16/juul-labs-back-school-teachers-e-cigarettes/917531002/>.

23 ⁷³³ Scott Gottlieb, Statement from FDA Commissioner Scott Gottlieb, M.D., on new enforcement
 24 actions and a Youth Tobacco Prevention Plan to stop youth use of, and access to, JUUL and other e-
 25 cigarettes, FDA (Apr. 23, 2018), https://www.fda.gov/news-events/press-announcements/statement-fda-commissioner-scott-gottlieb-md-new-enforcement-actions-and-youth-tobacco-prevention?utm_campaign=04242018_Statement_Youth%20Tobacco%20Prevention&utm_medium=email&utm_source=Eloqua.

26 ⁷³⁴ Robert K. Jackler & Divya Ramamurthi, *Nicotine arms race: JUUL and the high-nicotine product*
 27 *market*, 28 Tobacco Control 623-28 (2019), <https://tobaccocontrol.bmj.com/content/28/6/623>.

28 ⁷³⁵ *Id.*

⁷³⁶ U.S. Food & Drug Administration, *FDA finalizes enforcement policy on unauthorized flavored cartridge-based e-cigarettes that appeal to children, including fruit and mint* (“FDA News Release”),

Commissioner Stephen Hahn, M.D. added, “As we work to combat the troubling epidemic of youth e-cigarette use, the enforcement policy we’re issuing today confirms our commitment to dramatically limit children’s access to certain flavored e-cigarette products we know are so appealing to them—so-called cartridge-based products that are both easy to use and easily concealable.”⁷³⁷

590. Enterprising companies recognized loopholes in a policy aimed only at cartridge-based products and the opportunity to fill the demand for fruit-flavored nicotine created by JLI. Disposable e-cigarettes have become increasingly popular with youth due to the youth e-cigarette market Defendant JLI created. The use of disposable e-cigarettes is now “rampant” in schools, further intensifying this public health crisis.⁷³⁸

591. For every company inspired by JLI to sell candy-flavored e-cigarette products that exits the market, more materialize to take its place, driven by the knowledge that there is a large market of nicotine-addicted youth eager for their products, a market created by JLI.

592. The rise in disposable products demonstrates why additional measures are necessary to halt the spread of youth e-cigarette use.⁷³⁹

B. Impact of the Youth E-Cigarette Crisis on Plaintiff Tucson Unified

593. Plaintiff Tucson Unified School District has been serving the Tucson community since 1867. Tucson Unified is the largest school district in Tucson, one of the largest in Arizona, and includes 89 schools serving over 44,000 students. Tucson Unified’s mission includes ensuring its students receive an engaging, rigorous and comprehensive education. Plaintiff’s administrative offices are located on East Tenth Street in Tucson, Pima County, Arizona.

FDA (Jan. 2, 2020), <https://www.fda.gov/news-events/press-announcements/fda-finalizes-enforcement-policy-unauthorized-flavored-cartridge-based-e-cigarettes-appeal-children>.

⁷³⁷ *Id.*

⁷³⁸ Sheila Kaplan, *Teens Find a Big Loophole in the New Flavored Vaping Ban*, N.Y. Times (Jan. 31, 2020), <https://www.nytimes.com/2020/01/31/health/vaping-flavors-disposable.html>.

⁷³⁹ *Press Release: Raising the Tobacco Age to 21 Won’t Stop the Youth E-Cigarette Epidemic and Is Not a Substitute for Eliminating the Flavored Products that Lure Kids*, Tobacco Free Kids (Dec. 16, 2019), https://www.tobaccofreekids.org/press-releases/2019_12_16_tobacco21_flavor.

594. Plaintiff has been hit hard by the youth e-cigarette epidemic. According to the 2018 Arizona Youth Survey, nearly 48% of teens in Pima County, Arizona, have used a vape or e-cigarette device.⁷⁴⁰ According to Judith Gordon, Professor and Interim Associate Dean of Research at the University of Arizona's College of Nursing in Tucson: "It's definitely a crisis in the sense that we're creating a whole new generation of people who are going to be addicted to nicotine."⁷⁴¹ The problem is so pervasive in Arizona that it has repeatedly made the news:

Jan Vesely, superintendent of the Kyrene School District, asked middle school students in a focus group last year what their biggest concern was. Their answer surprised her. It wasn't their friends or teachers. The students told her how they would go all day without using the restroom, fearful they'd encounter other students vaping and worried they would be falsely accused and suspended from school.⁷⁴²

595. Some school districts in Arizona have attempted to combat the problem in part with technology, like e-cigarette detectors, but most cannot afford the steep price tag.⁷⁴³

596. Because of the extreme nature of the problem, the Arizona School Boards Association ("ASBA") in October, 2019, took the unusual step of unanimously passing a resolution declaring youth e-cigarette use to be an epidemic and supporting legal action by its member schools, including Plaintiff, in an attempt to curb and eliminate the problem.⁷⁴⁴

597. Students in Plaintiff's schools have openly used e-cigarette devices in classrooms, causing disruption and diverting staff resources away from classroom instruction. Other students, addicted to nicotine, have demonstrated anxious, distracted and acting out behaviors, causing disruption and diverting staff resources away from classroom instruction and requiring additional time

⁷⁴⁰ Pima County, *The REAL DEAL on Vaping* (undated),

<https://webcms.pima.gov/cms/One.aspx?portalId=169&pageId=474763>; Pima County School Superintendent's Office, *Pima County Takes on Youth Vaping Epidemic* (undated),

<http://www.schools.pima.gov/media/press-releases/pima-county-takes-on-teen-vaping-epidemic>.

⁷⁴¹ Hailey Mensik, *As e-cigarette use climbs, schools address the problem with vape detectors and information* (March 11, 2019), <https://arizonadailyindependent.com/2019/03/11/as-e-cigarette-use-climbs-schools-address-the-problem-with-vape-detectors-and-information/>.

⁷⁴² *Id.*

⁷⁴³ *Id.*

⁷⁴⁴ ASBA, *ASBA Board of Directors Pass Vaping Resolution*, (Oct. 17, 2019), <https://azsba.org/asba-connect-10-17-19/>.

1 and attention for addicted students. These problems are consistent with the rise in youth e-cigarette
2 use throughout the State of Arizona and across the country.

3 598. According to Plaintiff's Superintendent, Dr. Gabriel Trujillo, "vaping is problem
4 number one. In all of our high schools especially it, not unlike any high school around the nation, it's
5 a pretty serious disruption that we deal with."⁷⁴⁵
6

7 599. Plaintiff's school board members have echoed the urgency of the situation. As one
8 remarked: "In every single school visit that I partake in, that's the number one thing principals are
9 telling us is their discipline issue and there is so much time and resources, as you know, that is going
10 towards this that we cannot afford."⁷⁴⁶
11

12 600. Defendants' conduct has created a public health crisis in Plaintiff's schools and Plaintiff
13 spent significant and unexpected levels of time and resources on addressing the pervasiveness of youth
14 e-cigarette use.

15 601. Smoking combustible cigarettes in public places has become increasingly socially
16 unacceptable as a result of years of sustained anti-smoking efforts by public health advocates, but due
17 to Defendants' actions and efforts to market e-cigarette use as a "safe" and "healthier" alternative to
18 smoking and as a way to defy existing smoke-free regulations, e-cigarette use has become normalized
19 and regarded as "cool" particularly among youth peer groups. This contributes to the false impression
20 among Plaintiff's youth that using e-cigarettes is safe. To combat these norms and perceptions,
21 Plaintiff has devoted time and resources to raise awareness and educate its stakeholders and
22 community members about the dangers of youth e-cigarette use.
23

24 602. The work that Plaintiff does to educate students and parents is particularly important,
25 and necessary, as a result of the widespread misinformation about e-cigarette products. Many students
26

⁷⁴⁵ Tucson Unified Governing Board, *October 16, 2019 Meeting Video*,
27 [http://govboard.tusd1.org/Meetings/Meeting-Video-](http://govboard.tusd1.org/Meetings/Meeting-Video-2019/ctl/view/itemid/201126?returnurl=http://govboard.tusd1.org/Meetings/Meeting-Video-2019)
28 [2019/ctl/view/itemid/201126?returnurl=http://govboard.tusd1.org/Meetings/Meeting-Video-2019.](http://govboard.tusd1.org/Meetings/Meeting-Video-2019/ctl/view/itemid/201126?returnurl=http://govboard.tusd1.org/Meetings/Meeting-Video-2019)

⁷⁴⁶ *Id.*

1 in Plaintiff's schools have been deceived by Defendants' marketing and misinformation and are
2 unaware of the true nature, health risks, and addictiveness of e-cigarette products. As a result of
3 Defendants' advertising campaigns, some students in Plaintiff's schools believe that Defendants'
4 products contain only flavoring, not nicotine. Additionally, both teens and their parents have been
5 deceived into thinking e-cigarette use is harmless, and as a result of the low perception of harm, youth
6 use e-cigarettes more frequently.
7

8 603. Plaintiff has had to devote and divert staff resources to conduct staff training on e-
9 cigarette use. Plaintiff's teachers and administrators have had to become educated about Defendants'
10 products and their dangers. One component of the necessary education has been simply recognizing
11 the devices for what they are: due to the USB-mimicking design of JUUL and its copycats, many
12 teachers do not recognize the e-cigarette devices when they see them.
13

14 604. Plaintiff also has dedicated time at school to address the issue of e-cigarette use, time
15 that could have otherwise been devoted to other important issues facing Plaintiff's students.

16 605. In addition to working with students, Plaintiff's counselors and administrators also train
17 the district's teachers and work to educate and engage with parents in Plaintiff's community. Plaintiff
18 has had to devote and divert staff resources to deploying student, family and parent-teacher
19 engagement regarding the dangers of e-cigarette products.
20

21 606. Plaintiff has had to devote, divert and increase staff time associated with routing
22 students to social workers to develop and convene support groups and prevention programming for
23 suspended students.

24 607. Plaintiff has had to expend, divert and increase resources for modifications to its health
25 curriculum to address the risks and dangers posed by e-cigarette products.

26 608. Discipline and suspensions related to incidents of e-cigarette use in Plaintiff's schools
27 have increased at alarming rates and staff are required to spend increased time addressing discipline
28 problems related to student e-cigarette use. Consequently, Plaintiff's school administrators and

1 teachers are having to address these issues during school hours, which interferes with curriculum and
 2 regular teaching time. Plaintiff has had to devote and divert staff time and resources to intervening in
 3 student e-cigarette activities and coordinating necessary follow-up, devoting class time to discuss
 4 youth e-cigarette use with students. Additionally, Plaintiff has had to devote and divert staff time and
 5 resources in confiscating product, taking teachers out of class to prepare witness statements, assist in
 6 investigations, and otherwise participate in the discipline and suspension of students.

8 609. Relatedly, because e-cigarette use in bathrooms is pervasive at Plaintiff's schools,
 9 Plaintiff's staff has had to devote staff time and resources to monitoring the bathrooms, including
 10 regularly walking through them both during class and between classes.

11 610. Not only have Defendants' e-cigarette products addicted a new generation to nicotine,
 12 Defendants are also creating a growing hazardous waste problem in Plaintiff's schools. Defendants' e-
 13 cigarette products contain chemicals that can be toxic or fatal if ingested in their concentrated forms,⁷⁴⁷
 14 as well as lithium-ion batteries,⁷⁴⁸ which cannot be safely disposed of in the normal stream of trash.
 15 The e-cigarette epidemic has led to significant levels of hazardous waste from these e-cigarette
 16 products throughout Plaintiff's schools, either from youth improperly disposing of them by littering or
 17 throwing them in the trash or toilets, or because teachers and school staff must confiscate and store
 18 them. JLI contributed to the improper disposal of JUULpods by telling customers to throw JUULpods
 19
 20

21
 22 ⁷⁴⁷ See, e.g., *How do I dispose of a JUULpod?*, JUUL Labs, Inc., [https://support.juul.com/hc/en-](https://support.juul.com/hc/en-us/articles/360023529793-How-do-I-dispose-of-a-JUULpod-)
 23 [us/articles/360023529793-How-do-I-dispose-of-a-JUULpod-](https://support.juul.com/hc/en-us/articles/360023529793-How-do-I-dispose-of-a-JUULpod-) (last visited Mar. 3, 2020) ("JUULpods
 24 should be recycled along with other e-waste."); American Acad. of Pediatrics, *Liquid Nicotine Used*
 25 *in E-Cigarettes Can Kill Children*, [healthychildren.org](https://www.healthychildren.org/english/safety-prevention/at-home/pages/liquid-nicotine-used-in-e-cigarettes-can-kill-children.aspx),
 26 [https://www.healthychildren.org/english/safety-prevention/at-home/pages/liquid-nicotine-used-in-e-](https://www.healthychildren.org/english/safety-prevention/at-home/pages/liquid-nicotine-used-in-e-cigarettes-can-kill-children.aspx)
 27 [cigarettes-can-kill-children.aspx](https://www.healthychildren.org/english/safety-prevention/at-home/pages/liquid-nicotine-used-in-e-cigarettes-can-kill-children.aspx) (last visited Mar. 3, 2020).

28 ⁷⁴⁸ See, e.g., JUUL Labs, Inc. (2020), [https://support.juul.com/hc/en-us/articles/360023319614-What-](https://support.juul.com/hc/en-us/articles/360023319614-What-kind-of-battery-is-in-the-device-)
 kind-of-battery-is-in-the-device- (last visited Feb. 3, 2020) ("JUUL uses a lithium-ion polymer
 battery. All portable electronics containing lithium-ion batteries present rare, but potentially serious
 safety hazards."); JUUL Labs, Inc. (2020), [https://support.juul.com/hc/en-us/articles/ 360023366194-](https://support.juul.com/hc/en-us/articles/360023366194-How-do-I-dispose-of-a-JUUL-device-)
 How-do-I-dispose-of-a-JUUL-device- (last visited Mar. 13, 2020) ("Unlike other e-cigarettes, JUUL
 isn't disposable and should be treated as a consumer electronic device. Follow your city's local
 recommendations for disposing of a lithium-polymer rechargeable battery.").

1 away in the “regular trash” until at least April 27, 2019.⁷⁴⁹ Due to the widespread nature of this
 2 problem, Plaintiff has struggled to determine how best to respond.

3 611. Plaintiff has been taking important steps to combat the youth e-cigarette crisis, but it
 4 cannot fully address the existing widespread use of e-cigarette products and resulting nicotine
 5 addiction among youth. Because of the smoothness of nicotine salts contained in Defendants’ e-
 6 cigarette products as well as Defendants’ discreet device designs, many youth use their e-cigarette
 7 devices with high frequency throughout the day—with some kids taking a puff as often as every few
 8 minutes. Unlike a combustible cigarette with its telltale emissions of smoke and distinct smell, the
 9 JUUL device and “JUULalikes” allow kids to use e-cigarettes undetected behind closed doors and
 10 even behind their teachers’ backs in the classroom. Such frequent use makes it much more likely that
 11 nicotine addiction will develop, particularly when coupled with the high nicotine content in JUULpods
 12 and copycat products. Youth e-cigarette use has therefore resulted in a higher incidence of addiction
 13 and than that caused by youth smoking of combustible cigarettes.

14 612. As the researchers conducting the national *Monitoring the Future* survey wrote in a
 15 letter to the *New England Journal of Medicine* in October 2019, current efforts are insufficient to
 16 address youth nicotine addiction from e-cigarette use:

17
 18
 19 Current efforts by the vaping industry, government agencies, and schools have thus far
 20 proved insufficient to stop the rapid spread of nicotine vaping among adolescents. Of
 21 particular concern are the accompanying increases in the proportions of youth who are
 22 physically addicted to nicotine, an addiction that is very difficult to overcome once
 23 established. The substantial levels of daily vaping suggest the development of nicotine
 24 addiction. New efforts are needed to protect youth from using nicotine during
 25 adolescence, when the developing brain is particularly susceptible to permanent
 26 changes from nicotine use and when almost all nicotine addiction is established.⁷⁵⁰

25 ⁷⁴⁹ JUUL Labs, Inc. (@JUULvapor), Twitter (Jul. 16, 2018),
 26 <https://twitter.com/juulvapor/status/1018976775676792834?lang=en> (“JUULpods can be thrown
 27 away in a regular trash receptacle”); *see also* JUULpod Basics, JUUL Labs, Inc (Apr. 27, 2019),
 28 <https://web.archive.org/web/20190427023811/https://support.juul.com/home/learn/faqs/juulpod-basics> (“How do I dispose of a JUULpod?” “JUULpods are closed systems and are not intended to be
 refilled. They can be thrown away in a regular trash can.”).

⁷⁵⁰ Miech, *supra* note 4.

1 613. The lack of available nicotine-addiction treatment options for youth presents a
2 challenge to communities across the country. The lack of treatment options for students within the
3 Plaintiff's school district who are addicted to nicotine is a significant concern for Plaintiff, but such
4 treatment options will be difficult to develop. The available FDA-approved tobacco cessation products
5 are not intended for, and are not approved for, pediatric use. With additional resources, Plaintiff would
6 support the development of additional, youth-appropriate cessation options that can meet the needs of
7 its students. Plaintiff would also support the development of e-cigarette-specific cessation resources to
8 address the ways in which e-cigarette cessation may differ from traditional smoking cessation.
9 Development of such resources is a crucial step to combat the youth e-cigarette epidemic.

10
11 614. With additional resources, Plaintiff would develop and implement a district-wide
12 education and outreach campaign about e-cigarette use and its dangers in order to combat Defendants'
13 marketing and the social pressures the youth e-cigarette epidemic has created. Carrying out such a
14 campaign effectively and countering Defendants' extensive marketing will require significant funding
15 as well as staff time. This education and outreach campaign must include developing prevention and
16 education materials appropriate for middle school and even elementary school students, as the e-
17 cigarette crisis continues to spread to even younger children. And critically, Plaintiff wants to establish
18 more comprehensive parent education programs to broaden capacity for families to support their
19 children who are struggling with e-cigarette use and addiction.
20

21
22 615. In addition, Plaintiff would conduct more traditional outreach efforts such as media
23 development and targeted marketing campaigns to support Plaintiff's prevention and education work.
24 This would require significant expenditure of resources to ensure the message was spread widely
25 enough to reach students and combat Defendants' extensive marketing and misinformation. In order to
26 make the message resonate with youth, Plaintiff will have to work with youth to cultivate the most
27 effective message.
28

1 616. Funding is also needed to establish a peer mentorship and prevention program. Peer-to-
2 peer messaging is crucial because it is necessary to change the social norms around e-cigarette use, just
3 as previous efforts ultimately changed social norms around combustible cigarette smoking. Defendants
4 have been adept at using peer-to-peer messaging to promote their addictive e-cigarette products to kids
5 through the use of social media campaigns and paid influencers. Because young people are often most
6 willing to listen to other young people, countering Defendants' conduct will require training and
7 supporting youth to educate their peers.
8

9 617. With sufficient funding, Plaintiff would also purchase e-cigarette detectors to install in
10 its bathrooms and cameras for the hallways, in order to both reduce the amount of staff time devoted to
11 patrolling the bathroom and ensure that students using e-cigarettes at school are identified and
12 connected with resources to help them quit. Where necessary, Plaintiff also would physically modify
13 the design of certain areas of its property, such as restrooms, with alternative floorplans that have been
14 demonstrated to reduce the ability of students to use contraband such as e-cigarette devices.
15

16 618. Fully addressing the harms to Plaintiff caused by Defendants' conduct will require a
17 comprehensive approach. Without the resources to fund measures such as those described herein,
18 Plaintiff will continue to be harmed by the ongoing consequences of Defendants' conduct.
19

20 **C. No Federal Agency Action, Including by the FDA, Can Provide the Relief Plaintiff Seeks Here.**

21 619. The injuries Plaintiff has suffered and will continue to suffer cannot be addressed by
22 agency or regulatory action. There are no rules the FDA could make or actions the agency could take
23 that would provide Plaintiff the relief it seeks in this litigation.
24

25 620. Even if e-cigarettes were entirely banned today or only used by adults, millions of
26 youth, including Plaintiff's students, would remain addicted to nicotine.

27 621. Regulatory action would do nothing to compensate Plaintiff for the money and
28 resources it has already expended addressing the impacts of the youth e-cigarette epidemic and the

1 resources it will need in the future. Only this litigation has the ability to provide Plaintiff with the relief
2 it seeks.

3 622. Furthermore, the costs Plaintiff has incurred in responding to the public health crisis
4 caused by youth e-cigarette and taking the actions described above are recoverable pursuant to the
5 causes of actions raised by Plaintiff. Defendants' misconduct alleged herein is not a series of isolated
6 incidents, but instead the result of a sophisticated and complex marketing scheme and related cover-up
7 scheme that has caused a continuing, substantial, and long-term burden on the services provided by
8 Plaintiff. In addition, the public nuisance created by Defendants and Plaintiff's requested relief in
9 seeking abatement further compels Defendants to reimburse and compensate Plaintiff for the
10 substantial resources it has expended and will need to continue to expend to address the youth e-
11 cigarette epidemic.
12

13 14 **VI. CAUSES OF ACTION**

15 **COUNT ONE — VIOLATIONS OF ARIZONA PUBLIC NUISANCE LAW**

16 623. Plaintiff incorporates by reference all preceding paragraphs.

17 624. Plaintiff brings this claim under Arizona public nuisance law as to all Defendants.

18 625. Under Arizona law, a public nuisance is an unreasonable interference with a right
19 common to the general public that affects a considerable number of people or an entire community or
20 neighborhood.
21

22 626. Plaintiff and its students have a right to be free from conduct that endangers their health
23 and safety. Yet Defendants have engaged in conduct and omissions which unreasonably and
24 injuriously interfered with the public health and safety in Plaintiff's community and created substantial
25 and unreasonable annoyance, inconvenience, and injury to the public by their production, promotion,
26 distribution, and marketing of e-cigarette products, including, but not limited to JUUL, for use by
27 youth in Plaintiff's school district. Defendants' actions and omissions have substantially, unreasonably,
28

1 and injuriously interfered with Plaintiff's functions and operations and affected the public health,
2 safety, and welfare of Plaintiff's community.

3 627. Each Defendant has created or assisted in the creation of a condition that is injurious to
4 the health and safety of Plaintiff and its students and interferes with the comfortable enjoyment of life
5 and property of Plaintiff's community.

6 628. Defendants' conduct has directly caused a severe disruption of the public health, order,
7 and safety. Defendants' conduct is ongoing and continues to produce permanent and long-lasting
8 damage.

9 629. This harm to Plaintiff and the public is substantial, unreasonable, widespread, and
10 ongoing. It outweighs any potential offsetting benefit of the Defendants' wrongful conduct because
11 Defendants' conduct violates Arizona's public policy against marketing e-cigarette products to minors.
12 This policy is expressed through statutes and regulations, including but not limited to:
13
14

- 15 a. A.R.S. § 13-3622(a), which prohibits the sale or furnishing of vapor products,
16 instruments, or paraphernalia, to a minor; and
- 17 b. A.R.S. § 13-3622(b), which prohibits minors from buying, possessing, or
18 knowingly accepting vapor products, instruments, or paraphernalia.

19 630. Defendants' conduct violated these state laws and the public policy they enforce,
20 including by:

- 21 a. Actively seeking to enter school campuses, targeting children as young as eight
22 through summer camps and school programs, extensively targeting youth
23 through social media campaigns, and recruiting "influencers" to market to teens;
- 24 b. Engaging in marketing tactics specifically designed to mislead children and
25 youth and to ensnare minors into nicotine addiction, including by explicitly
26 adopting tactics prohibited from Big Tobacco, with the knowledge that those
27 tactics were likely to ensnare children and youth into nicotine addiction,
28 including using billboards and outdoor advertising, sponsoring events, giving
free samples, paying affiliates and "influencers" to push e-cigarette products,
and by selling e-cigarette products in flavors designed to appeal to youth;
- c. Engaging in advertising modeled on cigarette ads and featuring youthful-
appearing models and designing advertising in a patently youth-oriented
fashion;

- d. Directing advertising to youth media outlets and media designed to appeal to children and youth, such as Instagram and other social media channels;
- e. Hosting youth-focused parties across the United States, at which free samples were dispensed and in which e-cigarette use was featured prominently across social media;
- f. Formulating e-cigarette products with flavors with the knowledge that such flavors appealed to youth and with the intent that youth become addicted or dependent upon e-cigarette products; and
- g. Promoting and assisting the growth of the e-cigarette product market and its availability with knowledge that e-cigarette products were being purchased and used by large numbers of youth.

631. Defendants' conduct described in the preceding paragraph and throughout the Complaint also violated, and thereby created or maintained a public nuisance, the following state law:

- a. A.R.S. § 44-1521 *et seq.*, which prohibits deceptive or unfair acts or practices, fraud, false pretenses, false promises, misrepresentations, or concealment, suppression or omission of material facts with an intent that others rely on such concealment, suppression or omission, in connection with the sale or advertisement of merchandise.

632. Defendants' conduct substantially and unreasonably interfered with public health, safety and the right to a public education in a safe and healthy environment. In that regard, and in other ways discussed herein, the public nuisance created or maintained by Defendants was connected to Plaintiff's property, including but not limited to school buildings.

633. The health and safety of the youth of Plaintiff's school district, including those who use, have used, or will use e-cigarette products, as well as those affected by others' use of e-cigarette products, are matters of substantial public interest and of legitimate concern to Plaintiff, as well as to Plaintiff's community.

634. Defendants' conduct has affected and continues to affect a substantial number of people within Plaintiff's school district and is likely to continue causing significant harm.

1 635. But for Defendants' actions, e-cigarette products, including, but not limited to JUUL,
2 used by youth would not be as widespread as they are today, and the youth e-cigarette public health
3 crisis that currently exists as a result of Defendants' conduct would have been averted.

4 636. Defendants knew or should have known that their conduct would create a public
5 nuisance. Defendants knew or reasonably should have known that their statements regarding the risks
6 and benefits of e-cigarette use were false and misleading, that their marketing methods were designed
7 to appeal to minors, and that their false and misleading statements, marketing to minors, and active
8 efforts to increase the accessibility of e-cigarette products and grow JUUL's market share, or the
9 market share of Defendants' products, were causing harm to youth and to municipalities, schools, and
10 counties, including youth in Plaintiff's school district and to Plaintiff itself.

11 637. Thus, the public nuisance caused by Defendants was reasonably foreseeable, including
12 the financial and economic losses incurred by Plaintiff.

13 638. Alternatively, Defendants' conduct was a substantial factor in bringing about the public
14 nuisance even if a similar result would have occurred without it. By directly marketing to youth and
15 continuing these marketing practices after it was evident that children were using JUUL products in
16 large numbers and were specifically using these products in schools, JLI and the Management
17 Defendants directly facilitated the spread of the youth e-cigarette crisis and the public nuisance
18 affecting Plaintiff.

19 639. Altria, by investing billions of dollars in JLI and actively working to promote the sale
20 and spread of JUUL products with the knowledge of JLI's practice of marketing JUUL products to
21 youth and its failure to control youth access to JUUL products, directly facilitated the spread of the
22 youth e-cigarette crisis and the public nuisance affecting Plaintiff.

23 640. Plaintiff has taken steps to address the harm caused by Defendants' conduct, including,
24 but not limited to, those listed in Section V.B above.

1 641. Fully abating the epidemic of youth e-cigarette use resulting from Defendants' conduct
2 will require much more than these steps.

3 642. As detailed herein, Plaintiff has suffered special damage different in kind or quality
4 from that suffered by the public in common. The damages suffered by Plaintiff have been greater in
5 degree and different in kind than those suffered by the general public including, but not limited to,
6 those arising from: expending, diverting and increasing staff time to confiscate product; expending,
7 diverting and increasing staff time to communicate and engage with parents; expending, diverting and
8 increasing the time that teachers must be out of class to prepare witness statements and assist in
9 investigations; expending, diverting and increasing staff time associated with discipline and suspension
10 of students; expending, diverting and increasing staff time associated with routing students to social
11 workers to develop and convene support groups for suspended students; expending, diverting and
12 increasing staff time associated with routing students to social workers to develop and conduct
13 prevention programing; expending, diverting and increasing resources for modifications to the health
14 curriculum; expending, diverting and increasing resources to make physical changes to schools and/or
15 address property damage in schools.

16 643. Plaintiff therefore requests all the relief to which it is entitled in its own right and
17 relating to the special damage or injury it has suffered, and not in any representative or *parens patriae*
18 capacity on behalf of students, including damages in an amount to be determined at trial and an order
19 providing for the abatement of the public nuisance that Defendants have created or assisted in the
20 creation of, and enjoining Defendants from future conduct contributing to the public nuisance
21 described above.

22 644. Defendants' conduct, as described above, was intended to cause injury and/or was
23 motivated by spite or ill will and/or Defendants acted to serve their own interests, having reason to
24 know and consciously disregarding a substantial risk that their conduct might significantly injure the
25 rights of others, including Plaintiff, and/or Defendants consciously pursued a course of conduct
26

1 knowing that it created a substantial risk of significant harm to others, including Plaintiff. Defendants
 2 regularly risks the lives and health of consumers and users of its products with full knowledge of the
 3 dangers of its products. Defendants made conscious decisions not to redesign, re-label, warn, or
 4 inform the unsuspecting public, including Plaintiff's students or Plaintiff. Defendants' willful,
 5 knowing and reckless conduct therefore warrants an award of aggravated or punitive damages.
 6

7 **COUNT TWO — VIOLATIONS OF THE RACKETEER INFLUENCED AND CORRUPT**
 8 **ORGANIZATIONS ACT ("RICO"), 18 U.S.C. § 1961(C)**

9 645. Plaintiff incorporates by reference all preceding paragraphs.

10 646. This claim is brought by Plaintiff against Defendants JLI, Monsees, Bowen, Pritzker,
 11 Huh, Valani, and Altria (the "RICO Defendants") for actual damages, treble damages, and equitable
 12 relief under 18 U.S.C. § 1964 for violations of 18 U.S.C. § 1961, et seq. For ease of reference,
 13 Defendants JLI, Monsees, Bowen, Pritzker, Huh, and Valani are referred to below as the "Early
 14 Enterprise Defendants."

15 647. At all relevant times, each RICO Defendant is and has been a "person" within the
 16 meaning of 18 U.S.C. § 1961(3), because they are capable of holding, and do hold, "a legal or
 17 beneficial interest in property."
 18

19 648. Plaintiff is a "person," as that term is defined in 18 U.S.C. § 1961(3), and has standing
 20 to sue as they were and are injured in their business and/or property as a result of the RICO
 21 Defendants' wrongful conduct described herein.

22 649. Section 1962(c) makes it "unlawful for any person employed by or associated with any
 23 enterprise engaged in, or the activities of which affect, interstate or foreign commerce, to conduct or
 24 participate, directly or indirectly, in the conduct of such enterprise's affairs through a pattern of
 25 racketeering activity" 18 U.S.C. § 1962(c).
 26

27 650. Section 1962(d) makes it unlawful for "any person to conspire to violate" Section
 28 1962(c), among other provisions. *See* 18 U.S.C. § 1962(d).

1 651. Each RICO Defendant conducted the affairs of an enterprise through a pattern of
2 racketeering activity and conspired to do so, in violation of 18 U.S.C. § 1962(c) and § 1962(d).

3 652. Plaintiff demands the applicable relief set forth in the Prayer for Relief below.

4 **A. Description of the Nicotine Market Expansion Enterprise**

5 653. RICO defines an enterprise as “any individual, partnership, corporation, association, or
6 other legal entity, and any union or group of individuals associated in fact although not a legal entity.”
7 18 U.S.C. § 1961(4).

8 654. Under 18 U.S.C. § 1961(4) a RICO “enterprise” may be an association-in-fact that,
9 although it has no formal legal structure, has (i) a common purpose, (ii) relationships among those
10 associated with the enterprise, and (iii) longevity sufficient to pursue the enterprise’s purpose. See
11 Boyle v. United States, 556 U.S. 938, 946 (2009).
12

13 655. The RICO Defendants formed an association-in-fact enterprise—the Nicotine Market
14 Expansion Enterprise. The Nicotine Market Expansion Enterprise exists separately from the otherwise
15 legitimate business operations of JLI, Altria, or the investment companies with which Defendants
16 Pritzker, Huh, and Valani are affiliated. Rather, the Enterprise is an ongoing and continuing business
17 organization consisting of “persons” within the meaning of 18 U.S.C. § 1961(3) that created and
18 maintained systematic links for a more nefarious common purpose: maintaining and expanding the
19 number of nicotine-addicted e-cigarette users in order to ensure a steady and growing customer base,
20 including by maintaining and expanding JLI’s massive, and ill-gotten, share of the e-cigarette market.
21

22 656. The Early Enterprise Defendants and non-defendant Veratad Technologies LLC
23 (“Veratad”) formed the Nicotine Market Expansion Enterprise by at least 2015, when the Early
24 Enterprise Defendants prepared to launch the JUUL e-cigarette and capture and grow a market of
25 nicotine-addicted users, including youth, that would serve as customers for life.
26

27 657. As tobacco companies have long known, profitable growth requires a pipeline of
28 “replacement smokers” or vapers. For that reason and others, Defendant Altria joined the Nicotine

1 Market Expansion Enterprise in the Spring of 2017. The Early Enterprise Defendants, for their part,
2 eagerly invited Altria into the fold—they needed allies and resources to further their Enterprise, and,
3 despite their public statements to the contrary, sought to be a part of the tobacco industry.

4
5 658. When Altria joined the Nicotine Market Expansion Enterprise, it shared the Early
6 Enterprise Defendants’ common purpose: maintaining and expanding the number of nicotine-addicted
7 e-vapor users in order to ensure a steady and growing customer base. Among Altria’s motivations for
8 pursuing this common purpose was access to JLI’s customer base that would serve as Altria’s pipeline
9 of “replacement smokers” or vapers.

10 659. The Nicotine Market Expansion Enterprise involved a growing membership and
11 changed its shape to fit its current needs, adding members when necessary and eliminating them when
12 they became obsolete. From 2015 through 2017, the Enterprise consisted of the Early Enterprise
13 Defendants and non-defendant Veratad. In the Spring of 2017, Defendant Altria joined the Nicotine
14 Market Expansion Enterprise. Non-defendant member Veratad would leave the Enterprise sometime in
15 2018 when it stopped coordinating with Defendant JLI. Each Early Enterprise Defendant is liable for
16 the predicate acts of the enterprise committed no later than its formation in 2015, and Defendant Altria
17 is liable for the predicate acts of the enterprise committed no later than when it joined the Enterprise in
18 Spring 2017.
19

20 660. As described above, the Early Enterprise Defendants established an ongoing
21 relationship through, among other connections, Defendants’ Pritzker, Huh, and Valani’s investment in
22 JLI; Defendants’ Bowen, Monsees, Pritzker, Huh, and Valani’s control of the JLI Board of Directors;
23 the Early Enterprise Defendants’ assumption of “final say” on all marketing for JLI products, including
24 fraudulent advertising; and the Early Enterprise Defendants’ coordination on ensuring broad access to
25 JLI products, including underage access, with non-defendant Enterprise member Veratad. And the
26 Early Enterprise Defendants and Altria established an ongoing relationship through, among other
27 connections, Altria’s equity investment in JLI, the many informal and formal agreements between
28

1 these two Defendants and their coordinated activities in furtherance of the common purpose of the
 2 Nicotine Market Expansion Enterprise, and the overlap between JLI executives and leadership and
 3 Altria.

4 661. The RICO Defendants formed the Nicotine Market Expansion Enterprise in order to
 5 engage in a collaborative scheme to defraud. As described above, the Nicotine Market Expansion
 6 Enterprise Defendants shared and acted on a common purpose of maintaining and expanding the
 7 number of nicotine-addicted e-cigarette users in order to ensure a steady and growing customer base,
 8 including by maintaining and expanding JLI's massive, and ill-gotten, share of the e-cigarette market.
 9

10 662. The Nicotine Market Expansion Enterprise has been in existence for almost five years
 11 and continues to operate to this day. As described above, it has had sufficient longevity to pursue the
 12 Nicotine Market Expansion Enterprise's common purpose.
 13

14 **B. Conduct of the Nicotine Market Expansion Enterprise**

15 663. "[T]o conduct or participate, directly or indirectly, in the conduct" of an enterprise, "one
 16 must participate in the operation or management of the enterprise itself." *Reves v. Ernst & Young*, 507
 17 U.S. 170, 185 (1993).

18 664. As described above, each RICO Defendant participated in the operation or management
 19 of the Nicotine Market Expansion Enterprise. Illustrative but non-exhaustive examples include the
 20 following:
 21

22 **Early Leadership**

23 665. As described in Sections IV.A, IV.B, and IV.C, Defendants Bowen and Monsees were
 24 the visionaries behind the Enterprise and would lead it in its early days.

25 **Fraudulent Marketing Scheme**

26 666. As described in Sections IV.E.3, IV.E.4, and IV.E.7.a, JLI, and Defendants Bowen,
 27 Monsees, Pritzker, Huh, and Valani (through their "final say" on all of JLI's marketing efforts) caused
 28

1 false and misleading advertisements that omitted references to JUUL's nicotine content and potency to
2 be transmitted via the mail and wires, including the Vaporized campaign.

3 **Youth Access Scheme**

4 667. As described in Section IV.E.9, Defendant JLI (through its employees) coordinated with
5 non-defendant member Veratad on behalf of the other Early Enterprise Defendants to expand youth
6 access to JUUL products.

7
8 668. As described in Section IV.E.9, Veratad was a key player in the Nicotine Market
9 Expansion Enterprise. And while each member of the Enterprise was not involved in every scheme
10 (Veratad, for example, did not transmit the advertisements or packaging containing misrepresentations
11 regarding JLI's nicotine content), each worked in furtherance of the same common purpose and was
12 aware of the other members' participation in the Enterprise. Moreover, each scheme was integral to the
13 Enterprise's success in maintaining and expanding the number of nicotine-addicted e-cigarette users in
14 order to ensure a steady and growing customer base. Veratad shared this common purpose, and its
15 motivation for doing so was to maintain a lucrative client – one of several clients who relied on
16 Veratad for intentionally ineffective age verification services. Veratad knew that JUUL products were
17 being purchased online by youth and that youth were able to “pass” age verification, yet coordinated
18 with JLI to reduce the requirements for purchasers to “pass” age verification.
19
20

21 **Coopting JLI's Board of Directors**

22 669. As described in Section IV.E.7.b, Defendants Pritzker, Huh, and Valani took control of
23 the JLI Board of Directors in October 2015, so they could use the Board as an instrumentality to
24 effectuate fraudulent schemes in furtherance of the Nicotine Market Expansion Enterprise's common
25 purpose. In doing so, leadership of the Enterprise transitioned from Bowen and Monsees to Pritzker,
26 Huh, and Valani.

27 **Coordinating Activities of JLI and Altria**

1 670. By August 2016, Defendants Pritzker, Huh, and Valani had ceded executive leadership
2 at JLI to a new CEO, Tyler Goldman. Thus, when these parties started to coordinate with Altria, it was
3 JLI (through its executives and employees—including Tyler Goldman and his successors) and Altria
4 (through its executives and employees) that primarily directed the affairs of the Enterprise, although
5 Defendants Bowen, Monsees, Pritzker, Huh, and Valani remained critical to the success of the
6 Enterprise's common purpose. Without their control of the JLI Board of Directors and prior fraudulent
7 conduct, the close coordination between JLI and Altria, and Altria's investment in JLI, would not have
8 been possible.

10 671. As described in Sections IV.A and IV.F, the Early Enterprise Defendants and Altria
11 began to actively coordinate their activities in 2017 and each took actions that would further the
12 Enterprise's common purpose of maintaining and expanding the number of nicotine-addicted e-
13 cigarette users in order to ensure a steady and growing customer base, including by maintaining and
14 expanding JLI's massive, and ill-gotten, share of the e-cigarette market. For example, as alleged above:

16 672. As early as 2017, the Early Enterprise Defendants and Altria shared data and strategy to
17 support their common purpose, through a conduit, Avail Vapor.

18 673. By 2018, Altria was taking actions to ensure JLI's products had access to prime shelf
19 space in retail locations.

21 674. By 2018, Altria was distributing and marketing JLI's products to its wider base of
22 retailers.

23 675. In December 2018, Altria decided to cash in on its role in the Nicotine Market
24 Expansion Enterprise by making a \$12.8 billion equity investment in JLI, the largest equity investment
25 in United States history. This investment would give Altria three seats on the JLI Board of Directors,
26 and thus allow it to assert greater control over both JLI and the Nicotine Market Expansion Enterprise,
27 which used the instrumentalities of JLI to effectuate many of its fraudulent schemes.

28 **Nicotine Content Misrepresentation Scheme**

1 676. As described in Section IV.D, the Early Enterprise Defendants and Altria caused
2 thousands, if not millions, of JUUL pod packages to be distributed to consumers with false and
3 misleading information regarding the JUUL pods' nicotine content. The Early Enterprise Defendants
4 also caused the same false and misleading information to be distributed via JLI's website.

5
6 **Flavor Preservation Scheme**

7 677. As described in Sections IV.C.6 and IV.H.2, the RICO Defendants worked in concert to
8 defraud the public and regulators in order to prevent regulation and public outrage that would have
9 impeded their plan to maintain and expand the number of nicotine-addicted e-cigarette users in order to
10 ensure a steady and growing customer base. Specifically, they worked to ensure the FDA allowed
11 certain flavors, namely mint, to remain on the market.

12
13 **Cover-up Scheme**

14 678. The RICO Defendants were not only concerned with protecting flavors, however. In
15 light of growing public scrutiny of JLI's role in the youth e-cigarette crisis, these defendants continued
16 their scheme to prevent a complete ban on JLI's product due to regulatory action or public outcry.

17 679. As described in Sections IV.D.2 and IV.E.12, JLI maintained its website pages that
18 provided false information about the addictive potential of its products and denied that JLI marketed to
19 youth, and Defendants Bowen, Monsees, Pritzker, Huh, and Valani provided direct input as to the
20 content of the JLI website and had "final say" over JLI's marketing messaging.

21
22 680. As described in paragraphs Sections IV.D.4 and IV.E.12, JLI, and Defendants Bowen,
23 Monsees, Pritzker, Huh, and Valani (through their "final say" on all of JLI's marketing efforts) caused
24 false and misleading advertising to be distributed over television and the internet in order to give the
25 impression that JLI's product was a smoking cessation device and that JLI never marketed to youth.
26 Defendant Altria continued this scheme by transmitting the fraudulent "Make the Switch"
27 advertisements in packs of its combustible cigarettes.
28

1 681. As described in Section IV.E.12, beginning in October 2018, both Altria and JLI were
2 transmitting false and misleading communications to the public and the government in an attempt to
3 stave off regulation and public outcry.

4 682. And no later than December 2018, Altria began providing even more services to the
5 Nicotine Market Expansion Enterprise, as described in Section IV.F.3.

6 683. The pattern of racketeering activity by the RICO Defendants, described below, provides
7 further support that each RICO Defendant conducted or participated in the conduct of the Nicotine
8 Market Expansion Enterprise.
9

10 **C. Pattern of Racketeering Activity**

11 684. To carry out, or attempt to carry out, the objectives of the Nicotine Market Expansion
12 Enterprise, the RICO Defendants, each of whom is a person associated-in-fact with the Enterprise, did
13 knowingly conduct or participate in, directly or indirectly, the affairs of the Enterprise through a
14 pattern of racketeering activity within the meaning of 18 U.S.C. §§ 1961(1), 1961(5), 1962(c), and
15 employed the use of the mail and wire facilities, in violation of 18 U.S.C. § 1341 (mail fraud) and 18
16 U.S.C. § 1343 (wire fraud).
17

18 685. Specifically, the RICO Defendants have committed, conspired to commit, and/or aided
19 and abetted in the commission of, at least two predicate acts of racketeering activity (i.e., violations of
20 18 U.S.C. §§ 1341, 1343), within the past ten years.
21

22 686. The multiple acts of racketeering activity which the RICO Defendants committed, or
23 aided or abetted in the commission of, were related to each other, pose a threat of continued
24 racketeering activity, and therefore constitute a “pattern of racketeering activity.”

25 687. The racketeering activity was made possible by the Enterprise’s regular use of the
26 facilities, services, and employees of the members of the Enterprise.
27
28

1 688. The RICO Defendants participated in the Nicotine Market Expansion Enterprise by
2 using mail, telephone, and the internet to transmit mailings and wires in interstate or foreign
3 commerce.

4 689. The RICO Defendants used, directed the use of, and/or caused to be used, thousands of
5 interstate mail and wire communications in service of the Enterprise's objectives through common
6 misrepresentations, concealments, and material omissions.

7 690. In devising and executing the objectives of the Nicotine Market Expansion Enterprise,
8 the RICO Defendants devised and knowingly carried out material schemes and/or artifices to defraud
9 the public and regulators by (1) transmitting advertisements that fraudulently and deceptively omitted
10 any reference to JUUL's nicotine content or potency (or any meaningful reference, where one was
11 made); (2) causing false and misleading statements regarding the nicotine content of JUUL pods to be
12 posted on the JLI website; (3) causing thousands, if not millions, of JUUL pod packages containing
13 false and misleading statements regarding the nicotine content of JUUL pods to be transmitted via U.S.
14 mail; (4) representing to consumers and the public-at-large that JUUL was created and designed as a
15 smoking cessation device, and by misrepresenting the nicotine content and addictive potential of its
16 products; (5) making fraudulent statements to the FDA to convince the FDA to allow certain flavors,
17 namely mint, to remain on the market; and (6) making fraudulent statements to the public (including
18 through advertising), the FDA, and Congress to stave off a total prohibition on JUUL e-cigarettes that
19 was being contemplated in light of JLI's role in the youth e-cigarette epidemic.
20

21 691. For the purpose of furthering the Enterprise's common purpose of maintaining and
22 expanding the number of nicotine-addicted e-cigarette users in order to ensure a steady and growing
23 customer base, including by preserving and increasing JLI's market share, even at the expense of
24 exposing and addicting children to nicotine, the RICO Defendants committed these racketeering acts,
25 which number in the thousands, intentionally and knowingly with the specific intent to advance the
26 Enterprise's objectives.
27
28

692. The RICO Defendants' predicate acts of racketeering, 18 U.S.C. § 1961(1), include, but are not limited to:

- a. Mail Fraud: the Nicotine Market Expansion Enterprise violated 18 U.S.C. § 1341 by sending or receiving, or by causing to be sent and/or received, fraudulent materials via U.S. mail or commercial interstate carriers for the purpose of deceiving the public, regulators, and Congress; and
- b. Wire Fraud: the Nicotine Market Expansion Enterprise violated 18 U.S.C. § 1343 by transmitting and/or receiving, or by causing to be transmitted and/or received, fraudulent materials by wire for the purpose of deceiving the public, regulators, and Congress.

693. The Nicotine Market Expansion Enterprise falsely and misleadingly used the mails and wires in violation of 18 U.S.C. §§ 1341, 1343. Illustrative and non-exhaustive examples include the following:

From	To	Date	Description
<i>Fraudulent Statements Omitting Reference to JUUL's Nicotine Content (see Sections IV.E.3, IV.E.4, and IV.E.7.a)</i>			
All Early Enterprise Defendants	Public (via television, internet, and mail)	2015	"Vaporized" Campaign, and other Advertising campaigns transmitted via the mails and wires which omitted any reference to JUUL's nicotine content.
JLI	Members of the public on JLI's email distribution list	June 2015 to April 7, 2016	171 promotional emails were sent to members of the public with no mention of JUUL nicotine content. For example, on July 11, 2015, JLI knowingly caused an email to be sent via the wires in interstate commerce from JUUL's email address to people who had signed up from JUUL emails, including youth. This email advertised JUUL's promotion events and said "Music, Art, & JUUL. What could be better? Stop by and be gifted a free starter kit." This email did not mention that JUUL contained nicotine nor that JUUL or the free starter kits were only for adults.

From	To	Date	Description
<i>Fraudulent Statements Omitting Reference to JUUL's Nicotine Content (see Sections IV.E.3, IV.E.4, and IV.E.7.a)</i>			
JLI	Public (via internet – Twitter)	June 2015 to October 6, 2017	JLI's Twitter feed, @JUULvapor, and its 2,691 tweets, did not contain a nicotine warning. For example, on August 7, 2015, JLI knowingly caused a tweet to be posted on JLI's Twitter Feed, @JUULvapor, advertising the Cinespia "Movies All Night Slumber Party" and captioned it "Need tix for @cinespia 8/15? We got you. Follow us and tweet #JUULallnight and our faves will get a pair of tix!" This tweet was delivered via the wires in interstate commerce to members of the public, including followers of JLI's Twitter Feed, which included youth. This tweet did not mention that JUUL contained nicotine.
JLI	Public (via internet – Twitter)	July 28, 2017	JLI knowingly caused a tweet to be posted on JLI's Twitter Feed, @JUULvapor, showing an image of a Mango JUULpod next to mangos, and captioned "#ICYMI: Mango is now in Auto-ship! Get the #JUULpod flavor you love delivered & save 15%. Sign up today." This tweet was delivered via the wires in interstate commerce to members of the public, including followers of JLI's Twitter Feed, which included youth. This tweet did not mention that JUUL contained nicotine. On information and belief, due to the Early Enterprise Defendant's coordination with Veratad, mango JUULpods were actually shipped to youth.

From	To	Date	Description
<i>Fraudulent Statements Omitting Reference to JUUL's Nicotine Content (see Sections IV.E.3, IV.E.4, and IV.E.7.a)</i>			
JLI	Public (via internet – Twitter)	August 4, 2017	JLI knowingly caused a tweet to be posted on JLI's Twitter Feed, @JUULvapor, promoting Mint JUULpods with an image stating "Beat The August Heat with Cool Mint" and "Crisp peppermint flavor with a pleasant aftertaste," captioned "A new month means you can stock up on as many as 15 #JUULpod packs. Shop now." This tweet was delivered via the wires in interstate commerce to members of the public, including followers of JLI's Twitter Feed, which included youth. This tweet did not mention that JUUL contained nicotine. On information and belief, due to the Early Enterprise Defendant's coordination with Veratad, mint JUULpods were actually shipped to youth.
JLI	Public (via internet – Twitter)	August 28, 2017	JLI knowingly caused a tweet to be posted on JLI's Twitter Feed, @JUULvapor, comparing JUULpods to dessert with an image and stating "Do you brulee? RT if you enjoy dessert without a spoon with our Crème Brulee #JUULpods." This tweet was delivered via the wires in interstate commerce to members of the public, including followers of JLI's Twitter Feed, which included youth. This tweet did not mention that JUUL contained nicotine. On information and belief, due to the Early Enterprise Defendant's coordination with Veratad, Crème Brulee JUULpods were actually shipped to youth.

From	To	Date	Description
Fraudulent Statements that the Coordination with Veratad was Designed to Reduce Youth Access (see Section IV.E.9)			
JLI	Public (via internet – email to a member of the press)	October 15, 2017	JLI knowingly caused a JLI spokeswoman to send an email to a newspaper in New York, ANMY, stating that JLI uses “industry-leading ID match and age verification technology to ensure that customers” are over 21 and that the “information is verified against multiple databases.” This email was delivered via the wires in interstate commerce to a member of the press. The Early Enterprise Defendants intended this statement to be published to members of the public and it was in fact published to members of the public. This statement was false and fraudulent in furtherance of the Enterprise because the Early Enterprise Defendants were coordinating with Veratad to ensure that their age verification system did not actual prevent youth from purchasing JUUL.
JLI	Public [REDACTED]	October 17, 2016	[REDACTED] This email was delivered via the wires in interstate commerce to a member of the press. The Early Enterprise Defendants intended this statement to be published to members of the public. This statement was false and fraudulent in

From	To	Date	Description
<i>Fraudulent Statements that the Coordination with Veratad was Designed to Reduce Youth Access (see Section IV.E.9)</i>			
			furtherance of the Enterprise because the Early Enterprise Defendants were coordinating with Veratad to ensure that their age verification system did not actual prevent youth from purchasing JUUL.
JLI	Public (via internet – Twitter)	June 5, 2018	JLI knowingly caused a tweet to be posted on JLI's Twitter Feed, @JUULvapor, stating "We've partnered with Veratad Technologies to complete a public records search, only reporting back whether or not you are 21 years of age or older." This tweet was delivered via the wires in interstate commerce to members of the public, including followers of JLI's Twitter Feed, which included youth. This statement was fraudulent because the Early Enterprise Defendants were coordinating with Veratad to ensure that their age verification system did not actual prevent youth from purchasing JUUL.
All Early Enterprise Defendants	Public (via JLI's website)	November 13, 2018	JLI was "Restricting Flavors to Adults 21+ On Our Secure Website" and that JLI's age-verification system was "an already industry-leading online sales system that is restricted to 21+ and utilizes third party verification." A video accompanying this message stated "At JUUL labs we're committed to leading the industry in online age verification security to ensure that our products don't end up in the hands of underage users" and included an image of a computer with a chain wrapped around it and locked in place. This message was posted using

From	To	Date	Description
<i>Fraudulent Statements that the Coordination with Veratad was Designed to Reduce Youth Access (see Section IV.E.9)</i>			
			the wires in interstate commerce on JLI's website and was directed to and seen by the public. These statements were fraudulent because the Early Enterprise Defendants were and had been coordinating with Veratad to ensure that their age verification system did not actual prevent youth from purchasing JUUL

From	To	Date	Description
<i>Fraudulent Statements that JUUL is a Cessation Device (see Section IV.D.4)</i>			
JLI	Public (via internet – Twitter)	July 5, 2017	The @JUULvapor Twitter account published a tweet stating “Here at JUUL we are focused on driving innovation to eliminate cigarettes, with the corporate goal of improving the lives of the world’s one billion adult smokers.”
All Early Enterprise Defendants	Public (via internet – JLI Website)	April 25, 2018 (or earlier) to Present	“JUUL Labs was founded by former smokers, James and Adam, with the goal of improving the lives of the world’s one billion adult smokers by eliminating cigarettes. We envision a world where fewer adults use cigarettes, and where adults who smoke cigarettes have the tools to reduce or eliminate their consumption entirely, should they so desire.”
Kevin Burns (former JLI CEO)	Public (via internet – JLI Website)	November 13, 2018	“To paraphrase Commissioner Gottlieb, we want to be the offramp for adult smokers to switch from cigarettes, not an on-ramp for America’s youth to initiate on nicotine.”
All Early Enterprise Defendants	Public (via internet – JLI Website)	September 19, 2019	“JUUL Labs, which exists to help adult smokers switch off of combustible cigarettes.”
Howard Willard (Altria CEO)	Public (via internet – Altria website)	December 20, 2018	“We are taking significant action to prepare for a

From	To	Date	Description
<i>Fraudulent Statements that JUUL is a Cessation Device (see Section IV.D.4)</i>			
			future where adult smokers overwhelmingly choose non-combustible products over cigarettes by investing \$12.8 billion in JUUL, a world leader in switching adult smokers We have long said that providing adult smokers with superior, satisfying products with the potential to reduce harm is the best way to achieve tobacco harm reduction.”
Howard Willard	FDA (via U.S. mail or electronic transmission of letter to Commissioner Gottlieb)	October 25, 2018	“We believe e-vapor products present an important opportunity to adult smokers to switch from combustible cigarettes.”

From	To	Date	Description
<i>Fraudulent Statements Regarding Nicotine Content in JUUL pods (see Section IV.D)</i>			
All Early Enterprise Defendants	Public (via internet – JLI website)	July 2, 2019 (or earlier) to Present	“Each 5% JUUL pod is roughly equivalent to one pack of cigarettes in nicotine delivery.”
All Early Enterprise Defendants	Public (via internet – JLI website)	April 21, 2017	“JUUL pod is designed to contain approximately 0.7mL with 5% nicotine by weight at time of manufacture which is approximately equivalent to 1 pack of cigarettes or 200 puffs.”
All RICO Defendants	Public (via U.S. mail distribution of JUUL pod packaging)	2015 to Present	JUUL pod packages (1) claiming a 5% nicotine strength; (2) stating that a JUUL pod is “approximately equivalent to about 1 pack of cigarettes.”

From	To	Date	Description
<i>Fraudulent Statements to Prevent Regulation of Mint Flavor (see Sections IV.C.6 and IV.H.2)</i>			
JLI	FDA (via U.S. mail or electronic transmission); Public (via internet – JLI website)	October 16, 2018 (FDA) November 12, 2018 (Public)	JLI’s Action Plan that fraudulently characterizes mint as a non-flavored tobacco and menthol product, suggesting that it was a product for adult

From	To	Date	Description
<i>Fraudulent Statements to Prevent Regulation of Mint Flavor (see Sections IV.C.6 and IV.H.2)</i>			
			smokers.
Howard Willard (Altria CEO)	FDA (via U.S. mail or electronic transmission of letter to Commissioner Gottlieb)	October 25, 2018	Letter from H. Willard to FDA fraudulently representing mint as a non-flavored tobacco and menthol product, suggesting that it was a product for adult smokers.
JLI	FDA (via U.S. mail or electronic transmission)	November 5, 2018	Fraudulent youth prevalence study transmitted by JLI to the FDA.

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
All Early Enterprise Defendants	Public (via Television)	January 2019	\$10 million “Make the Switch” advertising campaign for the purpose of deceiving the public and regulators that JLI was only targeting adult smokers with its advertising and product and that JUUL was a cessation product.
Altria	Public (via inserts in combustible cigarette packs)	December 2018 - Present	“Make the Switch” advertising campaign for the purpose of deceiving smokers that JUUL was a cessation product.
Ashely Gould, JLI Chief Administrative Officer	Public (via interview with CNBC, later posted on internet)	December 14, 2017	“It’s a really, really important issue. We don’t want kids using our products.”
JLI	Public (via internet -social media)	March 14, 2018	“We market our products responsibly, following strict guidelines to have material directly exclusively toward adult smokers and never to youth audiences.”
Kevin Burns (then-CEO of JLI)	FDA (via U.S. mail or electronic transmission); Public (via internet – JLI website)	October 16, 2018 (FDA) November 12, 2018 (Public)	JLI’s Action Plan that fraudulently states: “We don’t want anyone who doesn’t smoke, or already use nicotine, to use JUUL products. We certainly don’t want youth using the product. It is bad for public health, and it is bad for our mission. JUUL Labs and FDA share a common goal – preventing youth from initiating on nicotine. . . . Our intent was never to

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
			have youth use JUUL products.”
Kevin Burns	Public (via interview with CNBC – later posted on internet)	July 13, 2019	“First of all, I’d tell them that I’m sorry that their child’s using the product. It’s not intended for them. I hope there was nothing that we did that made it appealing to them. As a parent of a 16-year-old, I’m sorry for them, and I have empathy for them, in terms of what the challenges they’re going through.”
All Early Enterprise Defendants	Public (via internet - JLI website)	August 29, 2019	“We have no higher priority than to prevent youth usage of our products which is why we have taken aggressive, industry leading actions to combat youth usage.”
James Monsees	Public (via statement to New York Times – later posted on internet)	August 27, 2019	Monsees said selling JUUL products to youth was “antithetical to the company’s mission.”
JLI	Public (via statement to Los Angeles Times – later posted on internet)	September 24, 2019	“We have never marketed to youth and we never will.”
JLI (via counsel)	FDA (via U.S. mail or electronic transmission to Dr. Matthew Holman)	June 15, 2018	Letter from JLI's Counsel at Sidley Austin to Dr. Matthew Holman, FDA, stating: “JUUL was not designed for youth, nor has any marketing or research effort since the product’s inception been targeted to youth.” and “With this response, the Company hopes FDA comes to appreciate why the product was developed and how JUUL has been marketed — to provide a viable alternative to cigarettes for adult smokers.”
James Monsees	Congress (via U.S. mail or electronic transmission of written testimony)	July 25, 2019	Written Testimony of J. Monsees provided to Congress, stating “We never wanted any non-nicotine user, and certainly nobody under the legal age of purchase, to ever use JLI products. . . . That is a serious problem. Our

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
			company has no higher priority than combatting underage use.”
Howard Willard	FDA (via U.S. mail or electronic transmission of letter to Commissioner Gottlieb)	October 25, 2018	“[W]e do not believe we have a current issue with youth access to or use of our pod-based products, we do not want to risk contributing to the issue.”
Howard Willard	Congress (via U.S. mail or electronic transmission of letter to Senator Durbin)	October 14, 2019	“In late 2017 and into early 2018, we saw that the previously flat e-vapor category had begun to grow rapidly. JUUL was responsible for much of the category growth and had quickly become a very compelling product among adult vapers. We decided to pursue an economic interest in JUUL, believing that an investment would significantly improve our ability to bring adult smokers a leading portfolio of non-combustible products and strengthen our competitive position with regards to potentially reduced risk products.”
All Early Enterprise Defendants	Public [REDACTED]	[REDACTED]	[REDACTED]
Kevin Burns, then-CEO of JLI	Public (via JLI’s website)	April 25, 2018	“Our company’s mission is to eliminate cigarettes and help the more than one billion smokers worldwide switch to a better alternative We are already seeing success in our efforts to enable adult smokers to transition away from cigarettes and believe our products have the potential over the long-term to contribute meaningfully to public health in the U.S. and around the world. At the same time, we are committed to deterring young people, as well as

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
			adults who do not currently smoke, from using our products. We cannot be more emphatic on this point: No young person or non-nicotine user should ever try JUUL.”
Ashely Gould, JLI Chief Administrative Officer	Public (via JLI’s website)	April 25, 2018	“Our objective is to provide the 38 million American adult smokers with meaningful alternatives to cigarettes while also ensuring that individuals who are not already smokers, particularly young people, are not attracted to nicotine products such as JUUL We want to be a leader in seeking solutions, and are actively engaged with, and listening to, community leaders, educators and lawmakers on how best to effectively keep young people away from JUUL.”
JLI	Public (via JLI’s website)	July 24, 2018	“We welcome the opportunity to work with the Massachusetts Attorney General because, we too, are committed to preventing underage use of JUUL. We utilize stringent online tools to block attempts by those under the age of 21 from purchasing our products, including unique ID match and age verification technology. Furthermore, we have never marketed to anyone underage. Like many Silicon Valley technology startups, our growth is not the result of marketing but rather a superior product disrupting an archaic industry. When adult smokers find an effective alternative to cigarettes, they tell other adult smokers. That’s how we’ve gained 70% of the market share. . . . Our ecommerce platform utilizes unique ID match and age verification

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
			technology to make sure minors are not able to access and purchase our products online.”
JLI	Public (via JLI’s website)	July 26, 2018	“We did not create JUUL to undermine years of effective tobacco control, and we do not want to see a new generation of smokers. . . . We want to be part of the solution to end combustible smoking, not part of a problem to attract youth, never smokers, or former smokers to nicotine products. . . . We adhere to strict guidelines to ensure that our marketing is directed towards existing adult smokers.”
Adam Bowen	Public (via statement to New York Times – later posted on internet)	August 27, 2018	Bowen said he was aware early on of the risks e-cigarettes posed to teenagers, and the company had tried to make the gadgets “as adult-oriented as possible,” purposely choosing not to use cartoon characters or candy names for its flavors.
James Monsees	Public (via statement to <i>Forbes</i> , later published on internet)	November 16, 2018	“Any underage consumers using this product are absolutely a negative for our business. We don’t want them. We will never market to them. We never have.”
Altria	Public (via internet)	December 20, 2018	Statement published in Altria news release stating: “Altria and JUUL are committed to preventing kids from using any tobacco products. As recent studies have made clear, youth vaping is a serious problem, which both Altria and JUUL are committed to solve. As JUUL previously said, ‘Our intent was never to have youth use JUUL products.’”
Altria	Public (via Earnings Call)	January 31, 2019	“Through JUUL, we have found a unique opportunity to not only participate meaningfully in the e-vapor

From	To	Date	Description
<i>Fraudulent Statements to Prevent Ban on JUUL Products or Overwhelming Public Outcry (see Section IV.E.12)</i>			
			category but to also support and even accelerate transition to noncombustible alternative products by adult smokers.”
K.C. Crosthwaite, JLI’s CEO	Public (via JLI’s website)	September 25, 2019	“I have long believed in a future where adult smokers overwhelmingly choose alternative products like JUUL. That has been this company’s mission since it was founded, and it has taken great strides in that direction.”
JLI	Public (via JLI’s website)	March 29, 2020	“JUUL was designed with adult smokers in mind.”

694. The mail and wire transmissions described herein were made in furtherance of the RICO Defendants’ schemes and common course of conduct, thereby increasing or maintaining JLI’s market share, resulting in corresponding high profits for each RICO Defendant.

695. As described above, the Nicotine Market Expansion Enterprise had a scheme to defraud the public and regulators in order to continue selling nicotine products to youth, and to protect their market share, by denying that JLI marketed to youth and claiming that JUUL was actually created and designed as a smoking cessation device or mitigated risk product.

696. The RICO Defendants used these mail and wire transmissions in furtherance of this scheme by transmitting deliberately false and misleading statements to the public and to government regulators.

697. The RICO Defendants had a specific intent to defraud regulators and the public. For example, as alleged above, the members of the Nicotine Market Expansion Enterprise made repeated and unequivocal statements through the wires and mails that they were not marketing to children and that their product was designed for adult smokers. As even the evidence pre-discovery shows, this is not true. The authors of these fraudulent statements are high level executives at JLI and Altria and who would reasonably be expected to have knowledge of their company’s internal research, public

1 positions, and long-term strategies. Because these high level executives made statements inconsistent
2 with the internal knowledge and practice of the corporations, it would be absurd to believe that these
3 highly ranked representatives and agents of these corporations had no knowledge that their public
4 statements were false and fraudulent. Similarly, the RICO Defendants caused to be transmitted through
5 the wires and mails false and misleading statements regarding the nicotine content in JUUL pods
6 which JLI's own internal data, and Altria's own pharmacokinetic studies, showed were false.
7 Moreover, each of the Early Enterprise Defendants had "final say" over all marketing statements by
8 JLI and thus caused such statements to be made, notwithstanding that they knew they were false for the
9 reasons detailed above.
10

11 698. The RICO Defendants intended for the public and regulators to rely on these false
12 transmissions and this scheme was therefore reasonably calculated to deceive persons of ordinary
13 prudence and comprehension.
14

15 699. Both the public and government regulators did rely on the Nicotine Market Expansion
16 Enterprise's mail and wire fraud. For example, the regulators, including the FDA, relied on the
17 Nicotine Market Expansion Enterprise's statements that mint was not an appealing flavor for
18 nonsmokers in allowing mint JUUL pods to remain on the market and relied on the Nicotine Market
19 Expansion Enterprise's statements that it did not market to youth in allowing the RICO Defendants to
20 continue marketing and selling JUUL. Congress likewise relied on the Enterprise's statements in not
21 bringing legislation to recall or ban e-cigarettes, despite the calls of members of both parties to do just
22 that. And the public relied on statements (or absence thereof) that were transmitted by the RICO
23 Defendants regarding the nicotine content in and potency of JUUL pods in deciding to purchase JUUL
24 products and relied on statements denying JLI's past youth marketing in not creating a public outcry
25 forcing these products to be removed from the market.
26

27 700. Many of the precise dates of the fraudulent uses of the U.S. mail and interstate wire
28 facilities have been deliberately hidden and cannot be alleged without access to the RICO Defendants'

1 books and records. However, Plaintiff has described the types of predicate acts of mail and/or wire
2 fraud, including the specific types of fraudulent statements upon which, through the mail and wires, the
3 Nicotine Market Expansion Enterprise engaged in fraudulent activity in furtherance of its overlapping
4 schemes.

5
6 701. These were not isolated incidents, instead, the RICO Defendants engaged in a pattern of
7 racketeering activity by committing thousands of predicate acts in a five-year period in the form of
8 mail and wire fraud. That each RICO Defendant participated in a variety of schemes involving
9 thousands of predicate acts of mail and wire fraud establishes that such fraudulent acts are part of the
10 Enterprise's regular way of doing business. Moreover, Plaintiff expects to uncover even more
11 coordinated, predicate acts of fraud as discovery in this case continues.

12
13 **D. Plaintiff Has Been Damaged by the Nicotine Market Expansion Enterprise Defendants' RICO Violations**

14 702. Plaintiff has been injured by the Nicotine Market Expansion Enterprise Defendants'
15 conduct, and such injury would not have occurred but for the predicate acts of those defendants which
16 also constitute the acts taken by the RICO Defendants in furtherance of their conspiracy pursuant to
17 Section 1962(d). By working to preserve and expand the market of underage JUUL customers,
18 fraudulently denying JLI's youth-focused marketing, and deceiving regulators and the public in order
19 to allow JUUL products and mint-flavored JUULpods to remain on the market, the Nicotine Market
20 Expansion Enterprise caused the expansion of an illicit e-cigarette market for youth in Plaintiff's
21 schools and caused a large number of youth in Plaintiff's schools to become addicted to nicotine, thus
22 forcing Plaintiff to expend time, money, and resources to address the epidemic Defendants created
23 through their conduct. Indeed, the Nicotine Market Expansion Enterprise Defendants intentionally
24 sought to reach into schools and deceive public health officials in order to continue growing JLI's
25 youth customer base. The repeated fraudulent misstatements by the Nicotine Market Expansion
26
27
28

1 Enterprise Defendants denying that JLI marketed to youth have served to preserve JUUL's market
2 share—a market share that is based upon children purchasing JLI's tobacco products.

3 703. Plaintiff was a direct victim of Defendants' misconduct. The Nicotine Market
4 Expansion Enterprise Defendants displayed a wanton disregard for public health and safety by
5 intentionally addicting youth, including youth in Plaintiff's schools, to nicotine and then attempting to
6 cover up their scheme in order to maintain and expand JUUL's market share. Defendants actively
7 concealed that they marketed to youth in order to avoid public condemnation and to keep their
8 products on the market and continue youth sales. This forced Plaintiff to shoulder the responsibility for
9 this youth e-cigarette crisis created by Defendants' misconduct. The harm from the illicit youth e-
10 cigarette market created by Defendants required Plaintiff to expend its limited financial and other
11 resources to mitigate the health crisis of youth e-cigarette use. The expansion of this youth e-cigarette
12 market was the goal of the Nicotine Market Expansion Enterprise and is critical to its success.
13 Therefore, the harm suffered by Plaintiff because it must address and mitigate the youth e-cigarette
14 crisis was directly foreseeable and, in fact, an intentional result of Defendants' misconduct.

17 704. The creation and maintenance of this youth e-cigarette market directly harms Plaintiff
18 by imposing costs on its business and property. Plaintiff's injuries were not solely the result of routine
19 school district expenses. Instead, as a result of Defendants' misconduct, Plaintiff has been and will be
20 forced to go far beyond what a school district might ordinarily be expected to pay to enforce the laws
21 and to promote the general welfare in order to combat the youth e-cigarette crisis. This includes
22 providing new programs and new services as a direct result and in direct response to Defendants'
23 misconduct. As a result of the conduct of the Nicotine Market Expansion Enterprise Defendants,
24 Plaintiff has incurred and will incur costs that far exceed the norm.

26 705. There are no intervening acts or parties that could interrupt the causal chain between the
27 Defendants' mail and wire fraud and Plaintiff's injuries. Defendants, in furtherance of the Nicotine
28 Market Expansion Enterprise's common purpose, made false and misleading statements directly to the

1 public, including Plaintiff, its employees, and its students. And in the case of fraud on third parties
2 (i.e., FDA and Congress), causation is not defeated merely because the RICO Defendants deceived a
3 third party into not taking action where the FDA's and Congress's failure to regulate directly allowed
4 youth in Plaintiff's community to purchase products that should not have been on the market and/or
5 that should not have been marketed to minors.

6
7 706. As to predicate acts occurring prior to October 7, 2015, Plaintiff did not discover, and
8 could not have been aware despite the exercise of reasonable diligence, until shortly before the
9 initiation of the instant litigation that Defendants transmitted fraudulent statements via the mails and
10 wires regarding the topics described above including, inter alia, the true nicotine content in and
11 delivered by JUUL products, such information the Defendants concealed and failed to truthfully
12 disclose.

13
14 707. The Nicotine Market Expansion Enterprise's violations of 18 U.S.C. § 1962(c) have
15 directly and proximately caused injuries and damages to Plaintiff and Plaintiff is entitled to bring this
16 action for three times its actual damages, as well as for injunctive/equitable relief, costs, and
17 reasonable attorneys' fees and costs pursuant to 18 U.S.C. § 1964(c).

18 **COUNT THREE — VIOLATIONS OF THE RACKETEER INFLUENCED AND CORRUPT**
19 **ORGANIZATIONS ACT ("RICO"), 18 U.S.C. § 1962(D)**

20 708. Plaintiff incorporates by reference all preceding paragraphs.

21 709. The RICO Defendants have not undertaken the practices described herein in isolation,
22 but as part of a common scheme and conspiracy. In violation of 18 U.S.C. § 1962(d), the members of
23 the Nicotine Market Expansion Enterprise agreed to conspire and conspired to violate 18 U.S.C.
24 § 1962(c), as described herein. The conspiracy is coterminous with the time period in which the
25 Nicotine Expansion Market Enterprise has existed, beginning in 2015 and continuing to this day (with
26 Defendant Altria joining the conspiracy in Spring 2017). The RICO Defendants' agreement is
27 evidenced by their predicate acts and direct participation in the control and operation of the Enterprise
28

1 in furtherance of a common purpose, as detailed above in relation to the RICO Defendants' substantive
2 violation of Section 1962(c). The acts in furtherance of the conspiracy attributable to the RICO
3 Defendants include each of the predicate acts underlying the Nicotine Market Expansion Enterprise's
4 violation of Section 1962(c), as described above. Various other persons, firms, and corporations,
5 including third-party entities and individuals not named as defendants in this Amended Complaint,
6 have participated as co-conspirators with the members of the Nicotine Market Expansion Enterprise in
7 these offenses and have performed acts in furtherance of the conspiracy to increase or maintain
8 revenue, maintain or increase market share, and/or minimize losses for the Defendants and their named
9 and unnamed co-conspirators throughout the illegal scheme and common course of conduct.

11 710. Plaintiff has been injured by the Nicotine Market Expansion Enterprise Defendants'
12 conduct, and such injury would not have occurred but for the predicate acts of those defendants which
13 also constitute the acts taken by the RICO Defendants in furtherance of their conspiracy pursuant to
14 Section 1962(d). The combined effect of the RICO Defendants' acts of mail and wire fraud in
15 furtherance of their conspiracy, including working to preserve and expand the market of underage
16 JUUL customers, fraudulently denying JLI's youth-focused marketing, and deceiving regulators and
17 the public in order to allow JUUL products and mint-flavored JUUL pods to remain on the market, was
18 to cause e caused the expansion of an illicit e-cigarette market for youth in Plaintiff's schools and
19 cause a large number of youth in Plaintiff's schools to become addicted to nicotine, thus forcing
20 Plaintiff to expend time, money, and resources to address the epidemic Defendants created through
21 their conduct. Indeed, the Nicotine Market Expansion Enterprise Defendants intentionally sought to
22 reach into schools and deceive public health officials in order to continue growing JLI's youth
23 customer base. The repeated fraudulent misstatements by the Nicotine Market Expansion Enterprise
24 Defendants denying that JLI marketed to youth have served to preserve JUUL's market share—a
25 market share that is based upon children purchasing JLI's tobacco products. The harm to Plaintiff
26 would not have occurred absent the RICO Defendants' conspiracy to engage in a pattern of
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28

1 racketeering activity through a RICO Enterprise, the common purpose of which was maintaining and
2 expanding the number of nicotine-addicted e-cigarette users, and youth in particular, in order to ensure
3 a steady and growing customer base, including by preserving and growing JLI's ill-gotten market
4 share.

5
6 711. Plaintiff was a direct victim of Defendants' misconduct. The Nicotine Market
7 Expansion Enterprise Defendants' acts in furtherance of their RICO conspiracy displayed a wanton
8 disregard for public health and safety by intentionally addicting youth, including youth in Plaintiff's
9 schools, to nicotine and then attempting to cover up their scheme in order to maintain and expand
10 JUUL's market share. Defendants actively concealed that they marketed to youth in order to avoid
11 public condemnation and to keep their products on the market and continue youth sales. This forced
12 Plaintiff to shoulder the responsibility for this youth e-cigarette crisis created by Defendants'
13 misconduct. The harm from the illicit youth e-cigarette market created by Defendants required Plaintiff
14 to expend its limited financial and other resources to mitigate the health crisis of youth e-cigarette. The
15 expansion of this youth e-cigarette market was the goal of the Nicotine Market Expansion Enterprise
16 and is critical to its success. Therefore, the harm suffered by Plaintiff because it must address and
17 mitigate the youth e-cigarette crisis was directly foreseeable and, in fact, an intentional result of
18 Defendants' misconduct.
19

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21 712. The creation and maintenance of this youth e-cigarette market, and Defendants actions
22 in furtherance of their RICO conspiracy, directly harms Plaintiff by imposing costs on its business and
23 property. Plaintiff's injuries were not solely the result of routine school district expenses. Instead, as a
24 result of Defendants' misconduct, Plaintiff has been and will be forced to go far beyond what a school
25 district might ordinarily be expected to pay to enforce the laws and to promote the general welfare in
26 order to combat the youth e-cigarette crisis. This includes providing new programs and new services as
27 a direct result and in direct response to Defendants' misconduct. As a result of the conduct of the
28

1 Nicotine Market Expansion Enterprise Defendants, Plaintiff has incurred and will incur costs that far
2 exceed the norm.

3 713. There are no intervening acts or parties that could interrupt the causal chain between the
4 RICO Defendants' mail and wire fraud acts in furtherance of their RICO conspiracy and Plaintiff's
5 injuries. The RICO Defendants, in furtherance of their conspiracy to form the Nicotine Market
6 Expansion Enterprise and advance its common purpose, made false and misleading statements directly
7 to the public, including Plaintiff, its employees, and its students. And in the case of fraud on third
8 parties (i.e., FDA and Congress), causation is not defeated merely because the RICO Defendants
9 deceived a third party into not taking action where the FDA's and Congress's failure to regulate
10 directly allowed youth in Plaintiff's community to purchase products that should not have been on the
11 market and/or that should not have been marketed to minors.
12

13 714. As to predicate acts undertaken in furtherance of the conspiracy which occurred prior to
14 October 7, 2015, Plaintiff did not discover, and could not have been aware despite the exercise of
15 reasonable diligence, until shortly before the initiation of the instant litigation that the RICO
16 Defendants transmitted fraudulent statements via the mails and wires regarding the topics described
17 above including, inter alia, the true nicotine content in and delivered by JUUL products, such
18 information the RICO Defendants concealed and failed to truthfully disclose.
19

20 715. The Nicotine Market Expansion Enterprise's violations of 18 U.S.C. § 1962(d) have
21 directly and proximately caused injuries and damages to Plaintiff and Plaintiff is entitled to bring this
22 action for three times its actual damages, as well as for injunctive/equitable relief, costs, and
23 reasonable attorneys' fees and costs pursuant to 18 U.S.C. § 1964(c).
24

25 **COUNT FOUR — NEGLIGENCE**

26 716. Plaintiff incorporates by reference all preceding paragraphs.
27
28

1 717. Defendants owed Plaintiff a duty to not expose Plaintiff to an unreasonable risk of
2 harm, and to act with reasonable care as a reasonably careful person and/or company would act under
3 the circumstances.

4 718. At all times relevant to this litigation, Defendants had a duty to exercise reasonable care
5 in the design, research, manufacture, marketing, advertisement, supply, promotion, packaging,
6 sale, and distribution of Defendants' e-cigarette products, including the duty to take all
7 reasonable steps necessary to manufacture, promote, and/or sell a product that was not
8 unreasonably dangerous to consumers, users, and other persons coming into contact with the
9 product.
10

11 719. At all times relevant to this litigation, Defendants had a duty to exercise reasonable care
12 in the marketing, advertisement, and sale of their e-cigarette products. Defendants' duty of care
13 owed to consumers and the general public, including Plaintiff, included providing accurate, true,
14 and correct information concerning the risks of using Defendants' products and appropriate,
15 complete, and accurate warnings concerning the potential adverse effects of e-cigarette use and
16 nicotine use and, in particular, JLI's patented nicotine salts and the chemical makeup of JUULpods
17 liquids.
18

19 720. At all times relevant to this litigation, Defendants knew or, in the exercise of
20 reasonable care, should have known of the hazards and dangers of Defendants' products and
21 specifically, the health hazards posed by using JUULpods and other e-cigarette products and continued
22 use of nicotine, particularly among adolescents.
23

24 721. Accordingly, at all times relevant to this litigation, Defendants knew or, in the
25 exercise of reasonable care, should have known that use of Defendants' products by students
26 could cause Plaintiff's injuries and thus created a dangerous and unreasonable risk of injury to
27 Plaintiff.
28

1 722. Defendants also knew or, in the exercise of reasonable care, should have known that
2 users and consumers of Defendants' products were unaware of the risks and the magnitude of the risks
3 associated with the use of Defendants' products including but not limited to the risks of continued
4 nicotine use and nicotine addiction.

5 723. As such, Defendants, by action and inaction, representation and omission, breached
6 their duty of reasonable care, failed to exercise ordinary care, and failed to act as a reasonably
7 careful person and/or company would act under the circumstances in the design, research,
8 development, manufacture, testing, marketing, supply, promotion, advertisement, packaging, sale,
9 and distribution of their e-cigarette products, in that Defendants manufactured and produced
10 defective products containing nicotine and other chemicals known to cause harm to consumers, knew
11 or had reason to know of the defects inherent in their products, knew or had reason to know that a
12 consumer's use of the products created a significant risk of harm and unreasonably dangerous
13 side effects, and failed to prevent or adequately warn of these risks and injuries.

14 724. Despite their ability and means to investigate, study, and test their products and to
15 provide adequate warnings, Defendants have failed to do so. Indeed, Defendants have wrongfully
16 concealed information and have made false and/or misleading statements concerning the safety
17 and/or use of Defendants' products and nicotine vaping.

18 725. Defendants' negligence included:

- 19 a. Researching, designing, manufacturing, assembling, inspecting, testing,
20 packaging, labeling, marketing, advertising, promoting, supplying, distributing,
21 and/or selling their products, without thorough and adequate pre- and post-
22 market testing;
- 23 b. Failing to undertake sufficient studies and conduct necessary tests to determine
24 whether or not their products were safe for their intended use;
- 25 c. Failing to use reasonable and prudent care in the design, research, manufacture,
26 formulation, and development of their products so as to avoid the risk of serious
27 harm associated with the prevalent use of e-cigarettes and nicotine products;
- 28

- d. Designing and manufacturing their products to cause nicotine addiction, including by maximizing nicotine delivery while minimizing “throat hit” or “harshness”;
- e. Failing to utilize proper materials, ingredients, additives and components in the design of their products to ensure they would not deliver unsafe doses of nicotine;
- f. Designing and manufacturing their products to appeal to minors and young people, including through the use of flavors and an easily concealable, tech-inspired design;
- g. Advertising, marketing, and promoting their products to minors, including through the use of viral social media campaigns;
- h. Failing to take steps to prevent their products from being sold to, distributed to, or used by minors;
- i. Failing to provide adequate instructions, guidelines, and safety precautions to those persons who Defendants could reasonably foresee would use their products;
- j. Affirmatively encouraging new JUUL users through an instructional starter pack insert to disregard any initial discomfort and to continue e-cigarette use by instructing users to “keep trying even if the JUUL feels too harsh,” and telling them, “[d]on’t give up, you’ll find your perfect puff”;
- k. Failing to disclose to, or warn, Plaintiff, users, consumers, and the general public of negative health consequences associated with exposure to nicotine and other harmful and toxic ingredients contained in Defendants’ products;
- l. Misrepresenting to Plaintiff, users, consumers, and the general public the actual nicotine content of Defendants’ products;
- m. Failing to disclose to Plaintiff, users, consumers, and the general public that Defendants’ products deliver more nicotine than represented;
- n. Misrepresenting Defendants’ products as non-addictive, less addictive, and/or safer nicotine delivery systems than traditional cigarettes;
- o. Representing that Defendants’ products were safe for their intended use when, in fact, Defendants knew or should have known that the products were not safe for their intended use;
- p. Declining to make or propose any changes to the labeling or other promotional materials for Defendants’ e-cigarette and nicotine products that would alert consumers and the general public, including minors in Plaintiffs’ schools of the true risks of using Defendants’ products;

- q. Advertising, marketing, and recommending Defendants' products while concealing and failing to disclose or warn of the dangers known by Defendants to be associated with, or caused by, the use of Defendants' products;
- r. Continuing to disseminate information to consumers, which indicates or implies that Defendants' products are not unsafe for their intended use;
- s. Continuing the manufacture and sale of Defendants' products with knowledge that the products were unreasonably unsafe, addictive, and dangerous;
- t. Failing to recall Defendants' products; and
- u. Committing other failures, acts, and omissions set forth herein.

726. Defendants knew and/or should have known that it was foreseeable that Plaintiff would suffer injuries as a result of Defendants' failure to exercise reasonable care in the manufacturing, marketing, labeling, distribution, and sale of Defendants' products, particularly when Defendants' products were made and marketed so as to be attractive and addictive to youth who spend many hours each week on Plaintiff's property and under Plaintiff's supervision.

727. Plaintiff did not know the nature and extent of the injuries that could result from the intended use of e-cigarette products including, but not limited to, JLI's patented JUULpods liquids, by Plaintiff's students.

728. Defendants' negligence helped to and did produce, and was the proximate cause of, the injuries, harm, and economic losses that Plaintiff suffered, and will continue to suffer, and such injuries, harm and economic losses would not have happened without Defendants' negligence as described herein.

729. E-cigarette use is the single most disruptive behavioral situation in Plaintiff's high schools and Plaintiff's injuries, harm and economic losses include, but are not limited to:

- a. Expending, diverting and increasing staff time to confiscate product;
- b. Expending, diverting and increasing staff time to communicate and engage with parents;
- c. Expending, diverting and increasing the time that teachers must be out of class to prepare witness statements and assist in investigations;

- d. Expending, diverting and increasing staff time associated with discipline and suspension of students;
- e. Expending, diverting and increasing staff time associated with routing students to social workers to develop and convene support groups for suspended students;
- f. Expending, diverting and increasing staff time associated with routing students to social workers to develop and conduct prevention programming;
- g. Expending, diverting and increasing resources for modifications to the health curriculum; and
- h. Expending, diverting and increasing resources to make physical changes to schools and/or address property damage in schools.

730. Defendants' conduct, as described above, was intended to cause injury and/or was motivated by spite or ill will and/or Defendants acted to serve their own interests, having reason to know and consciously disregarding a substantial risk that their conduct might significantly injure the rights of others, including Plaintiff, and/or Defendants consciously pursued a course of conduct knowing that it created a substantial risk of significant harm to others, including Plaintiff. Defendants regularly risks the lives and health of consumers and users of its products with full knowledge of the dangers of its products. Defendants made conscious decisions not to redesign, re-label, warn, or inform the unsuspecting public, including Plaintiff's students or Plaintiff. Defendants' willful, knowing and reckless conduct therefore warrants an award of aggravated or punitive damages.

COUNT FIVE — GROSS NEGLIGENCE

731. Plaintiff incorporates by reference all preceding paragraphs.

732. Defendants owed a duty of care to Plaintiff to conduct their business of manufacturing, promoting, marketing, and/or distributing e-cigarette products in compliance with applicable state law and in an appropriate manner.

733. Specifically, Defendants had a duty and owed a duty to Plaintiff to exercise a degree of reasonable care including, but not limited to: ensuring that Defendants' marketing does not target minors; ensuring that Defendants' products including, but not limited to, JUUL e-cigarettes and

1 JUULpods are not sold and/or distributed to minors and are not designed in a manner that makes them
2 unduly attractive to minors; designing a product that will not addict youth or other users to nicotine;
3 and adequately warning of any reasonably foreseeable adverse events with respect to using the
4 product. Defendants designed, produced, manufactured, assembled, packaged, labeled, advertised,
5 promoted, marketed, sold, supplied and/or otherwise placed Defendants' products into the stream of
6 commerce, and therefore owed a duty of reasonable care to those, including Plaintiff, who would be
7 impacted by their use.
8

9 734. Defendants' products were the types of products that could endanger others if
10 negligently made, promoted, or distributed. Defendants knew the risks that young people would be
11 attracted to their e-cigarette products and knew or should have known the importance of ensuring that
12 the products were not sold and/or distributed to anyone under age 26, but especially to minors.
13

14 735. Defendants knew or should have known that their marketing, distribution, and sales
15 practices did not adequately safeguard minors from the sale and/or distribution of Defendants'
16 products and, in fact, induced minors to purchase Defendants' products.

17 736. Defendants were grossly negligent in designing, manufacturing, supplying, distributing,
18 inspecting, testing (or not testing), marketing, promoting, advertising, packaging, and/or labeling
19 Defendants' products.
20

21 737. As powerfully addictive and dangerous nicotine-delivery devices, Defendants knew or
22 should have known that their e-cigarette products needed to be researched, tested, designed, advertised,
23 marketed, promoted, produced, packaged, labeled, manufactured, inspected, sold, supplied and
24 distributed properly, without defects and with due care to avoid needlessly causing harm. Defendants
25 knew or should have known that their products could cause serious risk of harm, particularly to young
26 persons like students in Plaintiff's schools.
27

28 738. Defendants engaged in willful and/or wanton conduct amounting to aggravated
negligence in that they acted with reckless indifference to the results, or to the rights or safety of others

1 because Defendants knew, or a reasonable person or company in Defendants' position should have
 2 known, that Defendants' action and/or inaction created an unreasonable risk of harm, and the risk was
 3 so great that it was highly probable that harm would result. Defendants' willful and wanton conduct,
 4 and aggravated negligence, caused Plaintiff to suffer harm.

5 739. The willful and wanton conduct, and aggravated negligence of Defendants includes, but
 6 is not limited to, the following:
 7

- 8 a. Researching, designing, manufacturing, assembling, inspecting, testing,
 9 packaging, labeling, marketing, advertising, promoting, supplying, distributing,
 10 and/or selling their products, without thorough and adequate pre- and post-
 market testing;
- 11 b. Failing to undertake sufficient studies and conduct necessary tests to determine
 12 whether or not their products were safe for their intended use;
- 13 c. Failing to use reasonable and prudent care in the design, research, manufacture,
 14 formulation, and development of their products so as to avoid the risk of serious
 harm associated with the prevalent use of e-cigarettes and nicotine products;
- 15 d. Designing and manufacturing their products to cause nicotine addiction,
 16 including by maximizing nicotine delivery while minimizing "throat hit" or
 "harshness";
- 17 e. Failing to utilize proper materials, ingredients, additives and components in the
 18 design of their products to ensure they would not deliver unsafe doses of
 nicotine;
- 19 f. Designing and manufacturing their products to appeal to minors and young
 20 people, including through the use of flavors and an easily concealable, tech-
 inspired design;
- 21 g. Advertising, marketing, and promoting their products to minors, including
 22 through the use of viral social media campaigns;
- 23 h. Failing to take steps to prevent their products from being sold to, distributed to,
 24 or used by minors;
- 25 i. Failing to provide adequate instructions, guidelines, and safety precautions to
 26 those persons who Defendants could reasonably foresee would use their
 products;
- 27 j. Affirmatively encouraging new JUUL users through an instructional starter pack
 28 insert to disregard any initial discomfort and to continue e-cigarette use by
 instructing users to "keep trying even if the JUUL feels too harsh," and telling
 them, "[d]on't give up, you'll find your perfect puff";

- k. Failing to disclose to, or warn, Plaintiff, users, consumers, and the general public of negative health consequences associated with exposure to nicotine and other harmful and toxic ingredients contained in Defendants' products;
- l. Misrepresenting to Plaintiff, users, consumers, and the general public the actual nicotine content of Defendants' products;
- m. Failing to disclose to Plaintiff, users, consumers, and the general public that Defendants' products deliver more nicotine than represented;
- n. Misrepresenting Defendants' products as non-addictive, less addictive, and/or safer nicotine delivery systems than traditional cigarettes;
- o. Representing that Defendants' products were safe for their intended use when, in fact, Defendants knew or should have known that the products were not safe for their intended use;
- p. Declining to make or propose any changes to the labeling or other promotional materials for Defendants' e-cigarette and nicotine products that would alert consumers and the general public, including minors in Plaintiffs' schools of the true risks of using Defendants' products;
- q. Advertising, marketing, and recommending Defendants' products while concealing and failing to disclose or warn of the dangers known by Defendants to be associated with, or caused by, the use of Defendants' products;
- r. Continuing to disseminate information to consumers, which indicates or implies that Defendants' products are not unsafe for their intended use;
- s. Continuing the manufacture and sale of Defendants' products with knowledge that the products were unreasonably unsafe, addictive, and dangerous;
- t. Failing to recall Defendants' products; and
- u. Committing other failures, acts, and omissions set forth herein.

740. Defendants breached the duties they owed to Plaintiff and in doing so, were wholly unreasonable. A responsible company, whose primary purpose is to help adult smokers, would not design a product to appeal to minors and nonsmokers nor market their products to minors and nonsmokers. If they are aware of the dangers of smoking and nicotine ingestion enough to create a device to help people stop smoking, then they are aware of the dangers enough to know that it would be harmful for young people and nonsmokers to use.

741. Defendants breached their duties through their false and misleading statements and omissions in the course of the manufacture, distribution, sale, and/or marketing of Defendants' e-cigarette products.

742. As a foreseeable consequence of Defendants' breaches of their duties, Plaintiff suffered direct and consequential economic and other injuries as a result of dealing with the e-cigarette epidemic in Plaintiff's schools.

743. E-cigarette use is the single most disruptive behavioral situation in Plaintiff's high schools and Plaintiff's injuries, harm and economic losses include, but are not limited to:

- a. Expending, diverting and increasing staff time to confiscate product;
- b. Expending, diverting and increasing staff time to communicate and engage with parents;
- c. Expending, diverting and increasing the time that teachers must be out of class to prepare witness statements and assist in investigations;
- d. Expending, diverting and increasing staff time associated with discipline and suspension of students;
- e. Expending, diverting and increasing staff time associated with routing students to social workers to develop and convene support groups for suspended students;
- f. Expending, diverting and increasing staff time associated with routing students to social workers to develop and conduct prevention programming;
- g. Expending, diverting and increasing resources for modifications to the health curriculum; and
- h. Expending, diverting and increasing resources to make physical changes to schools and/or address property damage in schools.

744. Defendants' breaches of their duties involved an indifference to duty amounting to recklessness and actions outside the bounds of reason, so as to constitute gross negligence, willful or wanton conduct, and aggravated negligence.

745. Defendants' gross negligence, willful and wanton conduct and aggravated negligence was egregious, directed at the public generally, and involved a high degree of moral culpability.

746. Defendants' conduct, as described above, was intended to cause injury and/or was motivated by spite or ill will and/or Defendants acted to serve their own interests, having reason to know and consciously disregarding a substantial risk that their conduct might significantly injure the rights of others, including Plaintiff, and/or Defendants consciously pursued a course of conduct knowing that it created a substantial risk of significant harm to others, including Plaintiff. Defendants regularly risks the lives and health of consumers and users of its products with full knowledge of the dangers of its products. Defendants made conscious decisions not to redesign, re-label, warn, or inform the unsuspecting public, including Plaintiff's students or Plaintiff. Defendants' willful, knowing and reckless conduct therefore warrants an award of aggravated or punitive damages.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

747. Entering an Order that the conduct alleged herein constitutes a public nuisance under Arizona law;

748. Entering an Order that Defendants are jointly and severally liable;

749. Entering an Order requiring Defendants to abate the public nuisance described herein and to deter and/or prevent the resumption of such nuisance;

750. Enjoining Defendants from engaging in further actions causing or contributing to the public nuisance as described herein;

751. Awarding equitable relief to fund prevention education and addiction treatment;

752. Awarding actual and compensatory damages;

753. Awarding punitive damages;

754. Awarding statutory damages in the maximum amount permitted by law;

755. Awarding reasonable attorneys' fees and costs of suit;

756. Awarding pre-judgment and post-judgment interest; and

1 757. Such other and further relief as the Court deems just and proper under the
2 circumstances.

3 **JURY TRIAL DEMANDED**

4 Plaintiff hereby demands a trial by jury.

5
6 RESPECTFULLY SUBMITTED this 8th day of May, 2020.

7 **WAGSTAFF & CARTMELL LLP**

8 /s/ Thomas P. Cartmell

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